



More than you expect.

Annual Report

2016-2017

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Positive Partnerships

Share the dream

CSG has been selected as an official supplier for the 2018 Gold Coast Commonwealth Games. CSG will be providing print equipment to Games headquarters and a number of competition and non-competition venues that will be used to support the staging of the Games.

In the lead up to the games, CSG will be provisioning more than 500 multi-function devices and printers including project planning support, pre-deployment testing, warehouse storage, full maintenance and servicing to ensure maximum uptime and quality delivery, as well as ongoing replenishment of consumables, supplies and spare parts.

CSG is proud to be involved with such a significant sporting event, the largest Australia will see this decade, and looks forward to delivering a world class solution for this world class event.



ABOUT THE GAMES

The Gold Coast 2018 Commonwealth Games will be the largest sporting event Australia will see this decade and has been in planning since 2012. On 4 April 2018, over 6,600 athletes and team officials from 70 nations and territories will converge on the Gold Coast for an 11 day sporting and cultural event. The Games will include 18 sports and 7 para-sports, contested and broadcast to a cumulative global audience of 1.5 billion.



Product in use:
**DISPLAY AS
A SUBSCRIPTION**

Case Studies

The Body Shop

The Body Shop is an international cosmetic retail store with the head office based in the UK. The New Zealand head office is based in Wellington and has full control over the New Zealand stores.

CSG is providing Display as a Subscription solutions to more than 24 Body Shop stores in New Zealand. These include digital display with centralised content management and distribution. We have implemented one site with the others being rolled out over time.

The customer is enjoying ease and simplicity of centralised content management and the fact that all digital displays will be supported nationally by CSG.



Tonic Health Media

Tonic Health Media (Tonic) is Australia's largest health and wellbeing media network, created by health professionals in collaboration with out-of-home media specialists. Tonic provides media solutions that connect advertisers and sponsors with those in the health and wellbeing market.

CSG is providing a full Display as a Subscription solution to Tonic rolling out 500 digital panels to medical centres across Australia and 1,200 tablet devices. The solution includes media players for centralised management of content and all devices are fully supported by CSG.

This complete display solution has helped Tonic achieve significant productivity gains through the ability to centrally manage and push content to all installed devices.

Our unique 'as a Subscription' approach has also helped the customer achieve cost savings and acquire a large quantity of digital equipment for minimal capital outlay.

CSG's ability to offer full support for the devices nationally was a key differentiator against the competition.

Benefits at a Glance

- Significant time savings through centralised content management
- Cashflow and cost savings through unique subscription model
- Peace of mind and ease with full support of all installed devices



Stephen Anstice
Chairman

We have become more confident in our strategy during the last year with confirmation from a number of data points. The simplest confirmation is that technology subscription seats grew organically by approximately 104% in FY2017, proving both the market opportunity and CSG's ability to execute in the technology space.

Dear Shareholders

On behalf of the Directors of CSG Limited, I am pleased to present CSG's Annual Report for the year ended 30 June 2017. 2017 was a year with mixed results for CSG. Over the last two years, we have been transitioning the business from a print services company into a Technology as a Subscription provider. We have become more confident in our strategy during the last year with confirmation from a number of data points. The simplest confirmation is that technology subscription seats grew organically by approximately 104% in FY2017, proving both the market opportunity and CSG's ability to execute in the technology space.

However, we have faced challenges in respect to maintaining consistency in our traditional print equipment business, with print equipment sales relatively flat on the prior year.

We have commenced the 2018 financial year with a focus on better implementation and increased sales. To improve the execution of our strategy we have restructured our senior management team, increased the number and quality of sales people, placed additional emphasis on marketing and implemented changes to improve our service levels.

From a capital management perspective, during the first half of FY2017, we returned \$5.2 million (or approximately 1.6 cents per share) to shareholders in the form of a share buyback. The Board determined not to declare a final dividend in FY2017, in favour of preserving maximum flexibility for future capital management and growth initiatives. The Board will continue to consider capital management and will exercise its judgement in the best interest of the Company and its shareholders. A key focus will be to ensure that our capital expenditure program is sufficient to drive and support new growth and improve productivity within our business. The financial performance of the Company in FY2017 creates a challenging environment in which to effectively motivate and remunerate our staff and the Board

Message from the Chairman

acknowledges the importance of balancing this need and the expectations of stakeholders. Considerable time and effort has been devoted to this task and more detail is set out in the Remuneration Report contained in this Annual Report.

This year's financial results also included a non-cash charge for impairment of \$55.0 million. The impairment relates to the carrying value of the goodwill associated with print assets in Australia and New Zealand acquired by the Company prior to 2011. It will not impact the Company's debt facilities, compliance with banking covenants or trading terms.

In February of this year, Mark Phillips stepped down as a non-executive Director. Mark contributed significantly to the Board during his tenure and we wish him well for the future. A search for a new non-executive Director is underway and I look forward to confirming this appointment in due course.

Lastly, on behalf of the Board, I thank our customers, suppliers and employees who have contributed to the business. In particular, I thank the Executive Team, led by Julie-Ann Kerin, for their hard work and dedication in continuing to execute on our Technology as a Subscription strategy. I would also like to thank our shareholders for their ongoing patience, commitment and support, which are greatly appreciated.



Stephen Anstice



In July 2015, CSG set out to build an innovative technology business and in FY2017 this business represented approximately 17% of revenue. Although the financial results for the year were disappointing, we have made significant progress against our strategic and operational objectives as we execute on our strategy.

Julie-Ann Kerin
Managing Director

Dear Shareholders

The 2017 financial year has been a transition year for CSG as we transform the business from being a print services company to a Technology as a Subscription provider. In July 2015, CSG set out to build an innovative technology business and in FY2017 this business represented approximately 17% of revenue. Although the financial results for the year were disappointing, we have made significant progress against our strategic and operational objectives as we execute on our strategy.

In FY2017, the business delivered revenue of \$244.5 million, representing a decline of 1%. Underlying EBITDA was \$30.3 million representing a 21% decline and underlying NPAT declined by 24% to \$19.4 million. The financial results were impacted by lower than expected revenue in our Enterprise Solutions business due to a shortfall in transactional equipment revenue.

BUSINESS PERFORMANCE

In FY2017, we saw strong growth in technology ending the year with approximately 27,300 technology subscription seats, representing a growth of 104% excluding the impact of acquisitions completed during the year.

Business Solutions had relatively flat revenue compared to FY2016. A key challenge that we faced was the restructure of the Business Solutions sales force which resulted in lower than expected sales heads and productivity. This will be a key focus in FY2018 and we will improve performance through increasing the number and quality of sales people in this business.

The Enterprise Solutions business had revenue growth of 3% relative to the prior corresponding period. This revenue was lower than expected driven by a shortfall in transactional equipment revenue from two contracts. Despite the delay in these contracts, Enterprise Solutions continued to gain momentum in the technology space with a number of Communications as a Subscription contract wins. Enterprise Solutions also added two new Virtual Contact Centre customers and three managed print contract wins.

The Finance Solutions business continued to perform in line with expectations with the lease book increasing by 2% to close at \$266.3 million. We continue to see a 95% customer conversion rate to CSG Finance products.

During the year, we also completed the restructure of the New Zealand business and parts of the Australian business. The restructure resulted in approximately \$1.2 million of associated cost savings in FY2017, with annualised cost savings of \$4.4 million from FY2018 onwards.

STRATEGIC INITIATIVES

During the year, we executed on a number of strategic initiatives that will help us deliver on our technology strategy. In a significant development for the Company, CSG amended its shareholder and distribution agreements with Konica Minolta Inc. in New Zealand in June 2017. These amendments will allow us to re-name the business in New Zealand and re-brand as CSG (previously Konica Minolta). Following the change, CSG will be able to operate as a non-exclusive distributor of Konica Minolta products in New Zealand, allowing our sales force to go to market uninhibited by trading under the brand of a print manufacturer.

In FY2017, the Company entered into a partnership with Officeworks to provide technology subscription bundles to its customer base in Australia. We are currently undertaking a soft launch with Officeworks and look forward to progressing this relationship. CSG has also entered into a partnership with Bank of New Zealand here we will become a member of its Business Essentials Program to recommend Technology as a Subscription offerings to Bank of New Zealand's Small-to-Medium Enterprise customers. We believe that both of these opportunities can materially increase the market adoption for CSG's innovative technology solutions and a key priority for FY2018 will be to support our new channel partners with the roll-out of Technology as a Subscription bundles to their customers.

Managing Director's Report

During the year, CSG also completed the acquisitions of R&G Technologies (a Brisbane based IT managed services company) and pcMedia Technologies (an IT managed services business focused on the New Zealand education sector). Together, these acquisitions bring additional Managed IT capabilities (including Tier 1 Microsoft Cloud Solutions Provider Status in New Zealand) and materially increase the number of subscription seats we have under management.

CSG has also signed an agreement with HP to sell HP's print and technology products across Australia and New Zealand. We look forward to partnering with HP across both of these regions from FY2018 onwards.

PEOPLE

During FY2017, CSG completed a restructure of its management team. We made a number of key hires during the year including our Chief Financial Officer, General Counsel & Company Secretary and a Group Treasurer & General Manager of Finance Solutions.

To ensure that we are well placed to execute on the large technology opportunity we have before us, CSG has taken significant steps to bring in new capability into our senior management team. In 1H FY2018, we will be welcoming a Chief Sales Officer who is joining us from IBM where he was most recently Managing Director of its digital, cloud and mobile business solutions across ANZ. In this role, he was responsible for \$300 million of sales across enterprise and mid-market customers. At CSG, he will have responsibility for Enterprise sales across Australia and New Zealand.

We will also be adding a General Manager of Marketing who will have a strong focus on supporting our sales activities and a General Manager of Service Delivery who will be responsible for managing service and deployment activities. Together, these new hires come with significant new domain expertise in technology sales and service delivery which will strengthen our ability to scale and accelerate the growth in delivering Technology as a Subscription to our customers.

We recognise that our people and their diversity are critical to our success. As we grow our technology business, employing and retaining the best talent is a key priority and we will continue to invest in the knowledge and skills of our people as our portfolio of solutions expands. I am excited by CSG offering increased career opportunities to our staff as the business continues to grow.

While we have made significant progress against our strategic objectives in FY2017, we acknowledge that there is still some way to go. My leadership team and I are excited about the large opportunity that our technology strategy provides and we are committed to delivering significant growth over the medium to long term.

I would like to take this opportunity to thank my fellow Board members at CSG for their ongoing commitment to working with management to achieve our objectives.

I am grateful to you, our shareholders, for your continued support and I am looking forward to sharing in the exciting opportunity and journey ahead of us.



Julie-Ann Kerin

Our Board



Stephen Anstice

BA (Economics), Grad. Dip. (SAI)

Non-Executive Chairman
Member, Audit and Risk Management Committee
Member, Nomination and Remuneration Committee

Stephen Anstice has over 23 years' experience in the communications industry. Until June 2013, Stephen Anstice was CEO of IPMG Pty Ltd ("IPMG"), a print, digital and marketing communications business. Stephen Anstice also has an extensive background in investment banking. He is currently a Non-Executive Director of PMP Limited and Audant Investments Pty Limited. Stephen Anstice has a Bachelor of Arts (Economics) from Macquarie University and a Graduate Diploma from the Securities Institute of Australia.

Appointed 20 August 2014
Appointed Chairman 15 February 2016



Thomas Cowan

B.Com (Hons)

Non-Executive Director
Former Non-Executive Chairman
Member, Audit and Risk Management Committee
Chairman, Nomination and Remuneration Committee

Thomas Cowan is a partner of TDM Asset Management, a Sydney based private investment firm. TDM Asset Management invests in public and private companies globally. Thomas Cowan has over 15 years of financial markets experience, including roles in corporate finance and investment banking at Investec Wentworth and KPMG Australia. He has a Bachelor of Commerce (Honours – Class 1) from the University of Sydney. Thomas Cowan was previously Non-Executive Director of Baby Bunting Group Limited from June 2009 to March 2017.

Appointed 8 February 2012
Appointed Chairman 15 August 2012
Ceased Chairman 15 February 2016
Appointed Chairman of Nomination and Remuneration Committee 15 February 2016



Robin Low

B.Com, FCA, GAICD

Non-Executive Director
Chairman, Audit and Risk Management Committee
Member, Nomination and Remuneration Committee

Robin Low was formerly a partner at PricewaterhouseCoopers for over 17 years and has extensive experience in assurance and risk management, particularly in the financial services area. She is currently a Non-Executive Director of AUB Group Limited, IPH Limited and Appen Limited. Robin Low is also a member of the Audit and Assurance Standards Board and on the board of a number of not-for-profit organisations including Sydney Medical School Foundation, Public Education Foundation and Primary Ethics. Robin Low has a Bachelor of Commerce from The University of New South Wales, is a Fellow of the Institute of Chartered Accountants in Australia and is a Graduate Member of the Australian Institute of Company Directors.

Appointed 20 August 2014

Appointed Chairman of Audit and Risk Management Committee
20 August 2014



Julie-Ann Kerin

AICD

Managing Director & Chief Executive Officer

Since Julie-Ann Kerin was appointed as Chief Executive Officer and Managing Director of CSG in 2012, she has established a proven track record of delivering strong growth and significant return to shareholders. Under Julie-Ann Kerin's leadership, CSG successfully completed the transaction of the sale of the former Technology Solutions division to NEC Australia in 2012, for \$227.5 million and subsequently returned \$130 million to shareholders over the following three years. Prior to Julie-Ann Kerin's appointment as CEO, she was the Group-General Manager of the former Technology Solutions division for five years, and achieved revenue growth from \$9m to \$183m. She has more than 20 years' experience as a senior executive managing both private and public companies across the information technology sector. Prior to joining CSG, Julie-Ann Kerin was responsible for the global management of operations and staff across Asia, the United States, Australia and Europe for a number of organisations. She has also held roles with IT companies Actuate, Haht Commerce, Genasys Inc and Computer Power. Julie-Ann Kerin is a member of the Australian Institute of Company Directors.

Appointed 1 February 2012

Our Executive Team



Gary Brown

Chief Financial Officer

Gary Brown joined CSG in February 2017 following 20 years' experience in Mining, Distribution, Logistics, Supply, Manufacturing and Sales. Gary has held several senior finance executive roles having recently acted as the Head of Finance, Treasury & Risk at Viva Energy Australia (formerly Shell) along with the role of CFO (Acting).

In addition to these roles, Gary held several Board positions including being a Director of Liberty Oil. Gary has extensive experience in leading and being responsible for large finance teams and functions having recently successfully led the Shell Australia finance function through its largest transformation project in its history. Prior to Viva Energy, Gary held several finance roles at BHP Billiton both locally and internationally as well as KPMG.



Declan Ramsay

Chief Business Solutions Executive

Declan Ramsay has over 25 years' of experience within the print sector and more recently, within the cloud-based technology subscription solutions market. Declan has been with CSG since 2006 working within Business Solutions. In July 2012, he was appointed as the Executive General Manager of Business Solutions Australia where he has been responsible for transitioning CSG's SME business from a print-only business to a Technology as a Subscription business.

Declan has a strong background in management of highly professional and motivated teams covering all facets of Small to Medium Enterprises including sales, operations, service, financing, and marketing.



Stephen Birrell

Chief Enterprise Solutions Executive

Stephen Birrell is a proven business leader with over 25 years' experience in the Information Technology, aerospace and Government sectors. His career has included senior executive roles with leading organisations in Australia, the United States, Asia and Europe, including The Boeing Company, BAE Systems and Honeywell Space and Aviation.

Prior to joining CSG in June 2013, Stephen was the General Manager of NEC Australia's Strategic Business Unit, accountable for achieving strategic growth objectives and business expansion in Asia and the Middle East. Stephen is a former Officer in the Royal Australian Air Force.



Warwick Beban

Country Manager, New Zealand

Warwick Beban has been with CSG Business Solutions in New Zealand since 2007. With over 15 years' experience in the Document Technology business, Warwick started working with Ubix Document Technology in 1991. During his 10-year career with Ubix he was ultimately promoted to Southern Regional Manager, responsible for the company's operation in the lower North Island and South Island. After five years with Telecom New Zealand as Head of Business and Corporate for Telecom Mobile, Warwick re-joined Konica Minolta as General Manager.

Warwick has a Bachelor of Science Degree and Masters of Science with First Class Honours from Massey University.



Mark Thomas

Chief People Executive

Mark Thomas joined CSG in September 2015 and has over 30 years' experience in commercially focused human resource roles. Mark has worked in blue chip and private companies across financial, professional and business services as well as the oil industry. Prior to joining CSG, Mark was the Global Human Capital Leader for Aurecon, responsible for a workforce of 7,500 people across 20 countries. His significant international experience includes seven years based in London leading a global HR function. Mark holds a Bachelor of Business.



Thomas Wilcox

General Counsel and Company Secretary

Thomas Wilcox was appointed as General Counsel and Company Secretary in March 2017. He joined CSG after 8 years with the Rio Tinto Group, during which he held a number of legal and commercial roles based in London, Melbourne and Darwin. His most recent role was General Counsel and Company Secretary of Rio Tinto's ASX-listed subsidiary, Energy Resources of Australia Limited. Prior to that he was employed in private legal practice in Melbourne and London since 2003.

Thomas has a Bachelor of Laws, Bachelor of Commerce and Master of Laws from The University of Melbourne.

He is currently a director of AFLNT, the governing body of Australian Rules Football in the Northern Territory.

Corporate Governance Statement

The Board of CSG Limited (CSG, Board or Company) is committed to protecting shareholders' interests and keeping investors fully informed about the performance of the Company. In doing so, it seeks to ensure the future sustainability of the organisation and create long term value for its shareholders. The Board has established the following processes to protect the interests and assets of shareholders and to ensure high standards of integrity and governance.

In undertaking these responsibilities, the Board has adopted a formal:

- Board Charter
- Audit and Risk Management Committee Charter
- Nomination and Remuneration Committee Charter
- Code of Conduct for Directors and Officers

Further, the Board has also adopted or issued revised policies with respect to:

- Independence and Conflicts of Interest
- Risk Management
- Board Performance Evaluation
- CEO Performance Evaluation
- Continuous Disclosure and External Communications
- Share Trading
- Remuneration
- Diversity

Copies of these charters and policies are available on the Company's website (www.csg.com.au/investors) or on request. These documents are not intended to be an exhaustive list of all corporate governance practices in place at CSG.

This Corporate Governance Statement outlines the Company's practices for the year-ended 30 June 2017 and as at the date of this Annual Report. It is referenced against the latest Corporate Governance Principles and Recommendations (3rd Edition) issued by the ASX Corporate Governance Council, which took effect from 1 July 2014 (Principles and Recommendations). There are eight principles prescribed by the Council and these are reported against below.

Principal 1 - Lay solid foundations for management and oversight

1.1 THE BOARD

The Directors of the Company are accountable to shareholders and other stakeholders for the proper management of the business and affairs of the Company. The Board fulfils these obligations by delegating certain business development responsibilities to the Chief Executive Officer (CEO), but retains the following responsibilities as set out in the Board Charter:

- agreeing with the CEO the annual cycle and process for review of strategic plans, including which stakeholders are to be involved and how;
- ensuring that the whole Board is directly involved in the strategic planning and review processes;
- ensuring that strategy development includes proper consideration by the Board and management of associated risks and opportunities;
- ensuring that all approved strategic plans include clear and measurable financial and other objectives;
- requiring that business plans and budgets are prepared and provided to the Board to support the agreed strategic plans;
- monitoring and reviewing the performance of the Company against the agreed strategic plans and goals;
- developing key Company policy; and
- monitoring and evaluating the performance of the Executive Management Team.

The Board is responsible for the development of appropriate internal controls to monitor and supervise the implementation of agreed strategies, policies, and the financial and other performance of the Company against approved strategies, budgets and delegations.

The Board delegates responsibility for day-to-day management of the Company to the CEO. The Company has adopted a Delegated Authorities Policy which establishes delegations and approval levels throughout the business. The CEO is responsible for executing the delegations contained in the policy, but must consult the Board on matters that are noted as requiring specific Board approval or are of a sensitive, extraordinary or strategic nature.

The Board has also adopted a CEO Evaluation Policy and a Remuneration Policy to govern the process for evaluating the employees of the Company, including the performance of the CEO and the Executive Management Team.

For the 2017 financial year, the Board measured the CEO and Executive Management Team against an approved corporate scorecard and, where applicable, divisional scorecards. The outcomes of this process are set out in the Remuneration Report.

1.2 APPOINTMENT OF DIRECTORS

In accordance with recommended practice, the Company undertakes a series of character, security and financial checks prior to appointing a candidate to the Board.

The Company also ensures shareholders are provided with all material information in its possession relevant to a decision on whether to elect or re-elect a Director. This is provided by a variety of means, including Director information contained in this Annual Report, the Company website and in the Notice of Meeting relating to the election or re-election of a Director.

During the financial year, one (1) Director resigned, resulting in a Board of four (4), consisting of three (3) Non-Executive Directors and the CEO.

1.3 APPOINTMENT TERMS

Each Director and all members of the Executive Management Team have in place written agreements specifying the terms of their engagement, including their roles and responsibilities. Any variations to their initial agreements are appropriately documented.

Employment agreements for the CEO and Executive Management Team are for unlimited periods but may be terminated by written notice by either party. Details of notice periods relating to these agreements are outlined in the Remuneration Report.

A procedure is also in place for each Director to have the right to seek independent professional advice, at the Company's expense, subject to prior approval from the Chairman.

1.4 COMPANY SECRETARY

The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board and its Committees. During the financial year, the Board appointed a new Company Secretary.

The qualifications and experience of the Company Secretary are set out in the Directors' Report.

1.5 DIVERSITY

The Company embraces a Diversity Policy which, consistent with its organisational values and strategic goals, focuses upon gender, ethnicity/culture, disability and flexibility as key levers linked to building a high performing and sustainable organisation.

Key principles include:

- facilitating equal employment opportunities based on relative ability, performance and potential;
- building and maintaining an inclusive work environment by taking action against inappropriate workplace and business behaviour (including discrimination, harassment, bullying, victimisation and vilification);
- fostering a diverse workforce by developing an environment of mutual respect, dignity and openness to others;
- seeking to ensure that the Company's business practices, systems and processes do not prevent people from diverse backgrounds having equality of opportunity within the Company;
- developing flexible work practices to meet the differing needs of our employees at different stages of their life cycle in the context of business requirements;
- attracting and retaining a skilled and diverse workforce;
- attracting and retaining a Board whose composition reflects a diversity of backgrounds, knowledge, experience and abilities; and
- improving the quality of decision-making, productivity and teamwork to meet the relevant requirements of local legislation and the Board and shareholders.

The Company captures a range of indicators for purposes of assessing progress against its policy and for government reporting purposes. At a high level these include:

- composition of the Board by gender (at 30 June 2017 50% were female);
- composition of the workforce between full time and part time;
- salary comparisons based on gender; and
- policy development and implementation.

The Company's performance of gender diversity objectives under the policy is reviewed annually. Below is a summary of the Company's key diversity indicators and gender composition:

Key Indicators	Outcome 2017
Percentage of women in the Executive Management Team and at management level and above ⁽ⁱ⁾	24% female
Percentage of women employed by CSG	24% female
Complete a diversity audit by 30 June each year	Completed

(i) Definitions of Executive Management and management level and above coincide with WGEA occupational categories.

Under the Diversity Policy, the definition of senior executive positions includes all Executives at CEO level (Level 5), the Executive Management Team (Level 4) and Senior Management (Level 3) as set out in the Company's Remuneration Policy.

Gender Composition of the Workforce at 31 March 2017

AUSTRALIA

Gender Composition of Manager level and above

24% female | **76% male**

Gender Composition of workforce overall

27% female | **73% male**



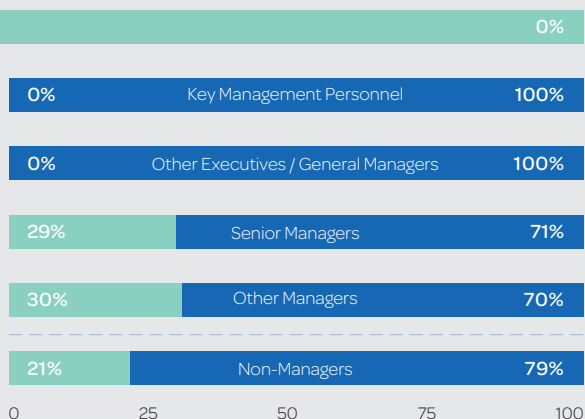
NEW ZEALAND

Gender Composition of Manager level and above

24% female | **76% male**

Gender Composition of workforce overall

21% female | **79% male**



Compliance

The Company is a 'relevant employer' for the purposes of the Australia Workplace Gender Equality Act. Our latest report was lodged in May 2017 with the Workplace Gender Equality Agency and can be viewed on their website at www.wgea.gov.au. This Agency complies industry based data for comparison purposes in the form of Gender Equality Indicators.

The Company's Diversity Policy and Code of Conduct can be found at www.csg.com.au/investors.

1.6 NON-EXECUTIVE DIRECTOR EVALUATION

The Board has adopted a policy in relation to its performance evaluation. The Board carried out a performance evaluation during the 2017 financial year using a self-evaluation questionnaire. The Chairman communicates regularly with Directors individually and collectively on the functioning of the Board and seeks feedback on his own performance as part of these discussions. A standing item is included on the agenda at the end of each Board meeting to encourage Directors to provide regular feedback on the conduct of Board meetings or any other Board business to assist in the continual improvement of Board processes.

The next formal evaluation process will be conducted in the first half of the 2018 financial year. The evaluation will focus on:

- the role of the Board within the business;
- Board composition, skills and application;
- Board procedures and practices; and
- Board culture and behaviour.

1.7 CEO AND EXECUTIVE MANAGEMENT TEAM EVALUATIONS

The Nomination and Remuneration Committee undertakes the process of performance reviews for the CEO and the Executive Management Team as provided under the Remuneration Policy. These reviews are assessed against KPIs set at the start of the financial year and which are both financial and non-financial in nature. Further details of these assessments, including outcomes, can be found in the Remuneration Report.

Principle 2 - Structure the Board to add value

2.1 NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee is chaired by Non-Executive Director, Thomas Cowan. Thomas Cowan is not considered to be independent due to his partnership in a fund manager which is a substantial security holder in the Company. However, the Board believes that Thomas Cowan's experience as a Non-Executive Director of the Company together with his qualifications and close alignment with security holders makes him the most appropriate Director to be Chairman of the Nomination and Remuneration Committee. The Board also has an Independence and Conflicts of Interest Policy to manage any potential conflicts arising from the shareholding.

The Nomination and Remuneration Committee operates under a formal charter that clearly sets out its role, responsibilities, composition, structure, membership requirements and the procedures for inviting non-Committee members to attend meetings.

The names of the members of the Nomination and Remuneration Committee and their attendance at Committee meetings during the financial year are set out in the Directors' Report.

The role of this Committee is to support the Board in fulfilling its statutory and fiduciary responsibilities, including ensuring that there are appropriate processes for items such as Board renewal and succession, assessment of performance and new Director induction and identifying appropriate industry and education programs.

The Nomination and Remuneration Committee Charter is available at www.csg.com.au/investors.

2.2 BOARD SKILLS MATRIX

The Board has ultimate responsibility for the oversight and review of the management, administration and governance of the Company. Accordingly, the Board has identified the following matrix which it believes captures the key skills and diversity attributes which the Board, as a whole, requires to deliver against its objectives. The Board regularly reviews these attributes and believes it presently possesses this blend of skills and diversity attributes:

- Governance
- Strategy
- Mergers and Acquisitions
- Accounting and Financial
- Banking and finance leasing
- Technology industry experience and expertise
- Customer Service and Delivery
- Risk Management
- Capital Management and Investor Relations

The Directors believe the Board collectively has the necessary skill set to ensure an appropriate and diverse mix of backgrounds, expertise, experience and qualifications to effectively advise and set the Company's strategic direction and govern on behalf of shareholders.

2.3 COMPOSITION OF THE BOARD

At the commencement of the 2017 financial year, the Board consisted of five (5) Directors. Mark Phillips, an independent Non-Executive Director, resigned during the year.

At 30 June 2017 the Board consisted of four (4) Directors, including two (2) independent Non-Executive Directors (Stephen Anstice and Robin Low), one (1) Non-Executive Director (Thomas Cowan) and one (1) Executive Director, being the Managing Director and CEO (Julie-Ann Kerin).

The skills, experience and appointment date of each Director are set out in the Directors' Report.

2.4 DIRECTOR INDEPENDENCE

Based on the applicable Principles and Recommendations guidelines, to be independent a Director should be a Non-Executive and:

- not be a substantial security holder of the Company or an officer of, or otherwise associated with, a substantial security holder of the Company;
- not have, within the last three (3) years, been employed in an Executive capacity by the Company or another company within the Group, or been a Director after ceasing to hold any such employment;
- not be a partner, principal or senior employee of a provider of material professional services to a company in the Group;
- not have been within the last three (3) years, in a material business relationship (e.g. as a supplier or customer) with a company within the Group, or an officer of, or otherwise associated with, someone with such a relationship;
- not have a material contractual relationship with the Company or another Group company other than as a Director;
- not have close family ties with any person who falls within any of the categories described above; or
- not have been a Director of the Company for such period that his or her independence may have been compromised.

During the 2017 financial year, Stephen Anstice, Robin Low and, before his resignation, Mark Phillips were each considered by the Board to be independent Non-Executive Directors. As previously noted, Thomas Cowan is not considered to be independent. The CEO is an Executive Director.

2.5 CHAIRMAN INDEPENDENCE

The Chairman, Stephen Anstice, is an independent Non-Executive Director.

2.6 DIRECTOR INDUCTION AND PROFESSIONAL DEVELOPMENT

The Nomination and Remuneration Committee has responsibility under its charter for the oversight of the induction of new Directors and on-going professional development. The Committee works with management to introduce new Directors to CSG, including familiarisation with its policies and procedures. A program is specifically developed based on the individual Non-Executive Director's role within the Board. The Director's skills and previous experiences are considered in developing an appropriate induction program.

Board members are encouraged and assisted to visit CSG work sites, and Board meetings are rotated to various locations as part of this program. Where appropriate, expert advisers, in conjunction with internal expertise, undertake presentations at Board meetings addressing specific elements of the Company's business.

Principle 3 – Act Ethically and Responsibly

The Company has developed a Code of Conduct to guide the Directors and all employees, including the Executive Management Team, in respect of ethical behaviour. The Code of Conduct is designed to maintain confidence in the Company's integrity and the responsibility and accountability of all individuals within the Company for reporting unlawful and unethical practices.

The Code of Conduct addresses such areas as:

- standard of behaviour;
- interests of legitimate stakeholders;
- conflicts of interest;
- use of information or position;
- use of Company property;
- confidentiality;
- fair trading;
- compliance with the law;
- whistle blowing; and
- political contributions and activities.

The Company's Code of Conduct can be found at www.csg.com.au/investors.

Principle 4 – Safeguard Integrity in Corporate Reporting

4.1 BOARD AUDIT AND RISK MANAGEMENT COMMITTEE

The Board has established an Audit and Risk Management Committee which is chaired by independent Non-Executive Director, Robin Low, and operates under a formal charter that clearly sets out the Committee's roles, responsibilities, composition, structure, membership requirements and the procedures for inviting non-Committee members to attend meetings. The Board has not established a separate risk management committee, as the Board has determined that these matters are appropriately addressed by the Audit and Risk Management Committee or the full Board.

The names of the members of the Audit and Risk Management Committee and their attendance at Committee meetings during the financial year are set out in the Directors' Report.

During the 2017 financial year, the Audit and Risk Management Committee:

- consisted only of Non-Executive Directors;
- had a majority of independent Directors;
- was chaired by an independent Non-Executive Director, who was not the Chairman of the Board; and
- had three (3) members.

The Audit and Risk Management Committee provides an independent review of:

- the effectiveness of the accounting and internal control systems and management reporting, which are designed to safeguard Company assets;
- the integrity and reliability of information prepared for use by the Board, including financial information;
- the accounting policies adopted by the Company;
- the quality of the external audit function;
- external auditor's performance and independence as well as considering such matters as replacing the external auditor where and when necessary;
- risk profile and mitigation plans;
- the Company's exposure to significant risks, strategic and operational improvements in risk management planning and implementation; and
- the insurance renewal process, including the appointment of an insurance broker and review of policies.

The charter for the Audit and Risk Management Committee can be found at www.csg.com.au/investors.

4.2 ASSURANCES

The Board receives assurances from the CEO and CFO that the annual declaration provided in accordance with section 295A of the *Corporations Act 2001* (Cth) is founded on a sound system of risk management and internal control, and that the system is operating effectively in all material respects in relation to financial reporting risks.

The Board has received these assurances for the 2017 financial year.

4.3 EXTERNAL AUDITOR

The external Auditor attends the Annual General Meeting and is available to answer shareholders' questions raised at the Annual General Meeting concerning the conduct of the audit, the preparation and content of the Auditor's Report, the accounting policies adopted and auditor independence.

Principle 5 – Make timely and balanced disclosure

The Board recognises that the Company, as a publicly listed entity, has an obligation to make timely and balanced disclosure in accordance with the requirements of the ASX Listing Rules and the *Corporations Act 2001* (Cth). The Board is also of the view that an appropriately informed shareholder base, and market in general, is essential to an efficient market for the Company's securities. The Board is committed to ensuring that shareholders and the market have timely and balanced disclosure of matters concerning the Company.

The Company has adopted a formal Continuous Disclosure and External Communications Policy to ensure compliance with its continuous disclosure requirements and to allow the market to be appropriately informed of the Company's strategy and performance.

Amongst other matters, this policy requires the immediate notification to the ASX of information concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities as prescribed under ASX Listing Rule 3.1, except where such information is not required to be disclosed in accordance with the exception provisions of the Listing Rules.

A copy of the policy can be found at www.csg.com.au/investors.

Principle 6 – Respect the rights of shareholders

6.1 COMMUNICATION WITH SHAREHOLDERS

The Board recognises that shareholders are the beneficial owners of the Company and respects their rights, and will continually seek ways to assist shareholders in the exercise of those rights.

In accordance with its communication strategy, the Company's website (www.csg.com.au) is considered to be the primary means to provide information to all stakeholders. The website enables information regarding CSG to be accessed in a clear and readable manner, including under the Investors tab:

- biographies of Directors and the Executive Management Team;
- corporate governance charters and policies;
- all announcements and releases to the ASX;
- copies of presentations to shareholders, institutional investors, brokers and analysts;
- any media or other releases;
- all notices of meetings and explanatory material;
- current and prior Annual Reports and similar documents; and
- any other relevant information concerning non-confidential activities of the Company including new business developments.

The Board also recognises that, as owners of the Company, the shareholders may best contribute to the Company's growth, value and prosperity if they are informed. In accordance with the Company's Continuous Disclosure and External Communications Policy, the Board seeks to empower shareholders by:

- communicating effectively with shareholders through periodic disclosure and market briefings;
- enabling shareholders access to balanced and understandable information about the Company, its operations and proposals; and
- assisting shareholders participation in general meetings.

All shareholders are entitled to receive a hard copy of the Company's Annual Report upon request. All relevant announcements made to the market are made available on the Company's website after they have been released to the ASX.

6.2 INVESTOR RELATIONS PROGRAM

In addition to the Company website, there is a dedicated Investor Relations page contained within the Annual Report which provides shareholders with Company contact details and key dates.

Shareholders can contact the Company by mail at Level 1, 357 Collins Street, Melbourne Victoria 3000 or by email at investor@csg.com.au.

6.3 PARTICIPATION IN MEETINGS

The Board is committed to assisting shareholders' participation in meetings. In particular, the Company requests that a representative of the Company's external Auditor be present at all Annual General Meetings and that shareholders have adequate opportunity to ask questions of the Auditor at that meeting concerning the audit, preparation and content of the Auditor's report.

The next Annual General Meeting of the Company is scheduled for 23 November 2017 in Melbourne.

Results of the meeting and any presentations given will be released to the ASX and subsequently available on the Company's website.

6.4 ELECTRONIC COMMUNICATIONS

The Company has a dedicated investor enquiry email address (investor@csg.com.au). This provides a means by which shareholders and other interested parties can contact the Company and seek information or raise specific questions.

The Company also encourages shareholders to register their email addresses at any time with its Share Registry, Computershare Investor Services Pty Limited, to benefit from the range of communications and services they can provide electronically.

In addition, as a listed company, shareholders can also visit the ASX website (www.asx.com.au) and obtain information, including the current share price, under the ASX code "CSV".

Principle 7 - Recognise and manage risk

7.1 RESPONSIBILITY FOR RISK

The Company is committed to managing its risks in a consistent and practical manner. Effective risk management is directly focussed on the achievement of organisational objectives and helps ensure the business delivers on its strategic goals in alliance with its vision and values.

The Board oversees the identification, assessment, management and monitoring of the risks faced by the Company and is assisted in this process by the Audit and Risk Management Committee.

7.2 REVIEW RISK MANAGEMENT FRAMEWORK

The Company has adopted a formal Risk Management Policy which aims to ensure that the Board implements appropriate risk management policies and procedures in order to protect the assets and undertakings of the Company. The approach to risk management and the effectiveness of its implementation is based on, as a minimum, the Australian and New Zealand Standards AS/NZS 31000:2009.

The Board has previously adopted a risk management guideline which is designed to provide a high level overview of key steps within the Company's risk management process and to provide the tools to facilitate risk management across the organisation. The framework is reviewed at least annually enables the identification and documentation of risk across the business by requiring management to:

- identify the risk;
- assign the risk to a category;
- assess the likelihood of a risk;
- assess the consequences of a risk;
- apply the risk to the risk matrix; and
- monitor, review, communicate and consult on the risk.

The Company's risk management process was last reviewed in March 2017.

7.3 INTERNAL AUDIT FUNCTION

The Company has not formally adopted an internal audit function at this time. Processes as identified under the Risk Management Policy are undertaken by management and the outcomes of the process are reported to the Audit and Risk Management Committee, capturing key changes, movements and trends since the last report.

7.4 ECONOMIC, ENVIRONMENTAL AND SOCIAL SUSTAINABILITY RISK

The Board, in the Directors' Report, has identified key risks that require management and adoption of mitigation strategies, where it assesses the inherent risks to be unacceptable.

From an environmental perspective, the Company does not require any specific licences to operate the business. Nevertheless, the Company takes a proactive approach in minimising its environmental footprint and seeks to operate its businesses in a sustainable way.

In terms of its social obligations, CSG employed 710 people across its operations in Australia and New Zealand as at 30 June 2017. It monitors the health and well-being of its employees and reports to the Board any serious matters of concern. Under the direction of its People and Culture team, the Company has conducted staff surveys and seeks opportunities to support and assist its employees. An employee assistance program is available to all employees which provides a means by which employees can obtain confidential and independent advice through access to qualified counsellors on a range of work-related or personal issues.

Principal 8 – Remunerate fairly and responsibly

8.1 NOMINATION AND REMUNERATION COMMITTEE

The Board's primary remuneration objectives are to motivate management to pursue the long-term growth and success of the Company within an appropriate control framework and to demonstrate a clear relationship between Executive performance and remuneration. The Board believes that it is in the interests of all stakeholders in the Company for there to be in place a Remuneration Policy that attracts and retains talented and motivated Executives, managers and employees so as to encourage enhanced performance of the Company.

As noted previously, the Board has an established Nomination and Remuneration Committee that:

- consists of a majority of independent Directors; and
- has three (3) members.

As previously noted, the Chairman of the Nomination and Remuneration Committee is not considered to be independent (as defined in the Principles and Recommendations), however the Board believes that Thomas Cowan's experience, qualifications and close alignment with security holders make him an appropriate Chairman of the Committee.

Please refer to the Directors' Report for membership and attendance details.

The Committee is responsible for the following, amongst other matters:

- nominating, as required, candidates for the Board to consider for Board membership;
- nominating, as required, candidates for the role of CEO and setting criteria for their appointment and termination;
- setting criteria for Board membership, skill requirements and, subject to the Company's constitution, number of Directors comprising the Board;
- the provision of a Directors' induction and education programme;
- reviewing and making recommendations to the Board on appropriate remuneration for the Directors, the CEO and the Executive Management Team;
- ensuring that remuneration levels take into account risks involved, demands and time requirements of each role and relevant industry and related benchmarks;
- developing and recommending to the Board remuneration incentive programs such as bonus schemes and Company share schemes; and
- developing, maintaining and monitoring appropriate remuneration policies and procedures.

8.2 REMUNERATION POLICY

The Company has adopted a Remuneration Policy, the objective of which is to ensure the reward for performance is competitive and appropriate for the results delivered. The Remuneration Policy details a framework for remuneration to be paid across the Company, from employees to senior executives, including Non-Executive Directors. The Nomination and Remuneration Committee is responsible for developing, maintaining and monitoring the policy.

A copy of the policy is available at www.csg.com.au/investors.

Remuneration paid to Non-Executive Directors is clearly distinguished from that of Executive Directors and senior executives. Please refer to the Remuneration Report for details of remuneration for the Company's Key Management Personnel.

Whilst it is not mandatory for Non-Executive Directors to hold CSG shares, all current Directors do so and their shareholdings are disclosed via the ASX and the Remuneration Report.

8.3 EQUITY BASED REMUNERATION

As detailed in the Remuneration Policy, the Company believes equity based remuneration is a critical component in achieving the long term objectives of the Company. To this end it offers a Long Term Incentive Plan (LTIP) to the CEO, the Executive Management Team and certain senior managers. Details of this LTIP are provided in the Remuneration Report.

In addition, the Company utilises Tax Exempt Share Plans to motivate and encourage performance across the Company generally. Under these plans, eligible employees can be offered the opportunity to apply for an allocation of \$1,000 worth of CSG shares, subject to the rules that apply under these plans.

To govern these equity opportunities and holdings, the Company has a Share Trading Policy which contains processes to be followed and guides Directors, the Executive Management Team and employees on any equities they hold or wish to hold in the Company. A summary of the Share Trading Policy is below.

Share Trading Policy

The Company has adopted a formal Share Trading Policy, which applies to Directors, the Executive Management Team and senior managers of the Company and their associates (Officers).

An Officer may not deal in any of the Company's securities at any time if he or she has Inside Information.

Subject to this restriction, an Officer may trade in securities at any time apart from certain blackout periods, namely:

- in the period between the close of a financial period and the business day after the announcement of results for that period;
- in the five (5) business days prior to and the business day following the Annual General Meeting;
- throughout any price setting period for the dividend reinvestment plan if operable; or
- at any other time the Company nominates.

If a person to whom the Share Trading Policy applies does wish to trade, he or she must obtain clearance from the Chairman of the Board under the policy prior to trading.

All Officers must advise the Company Secretary in writing of the details of completed transactions within specified timeframes following each transaction. Under this policy, participants in equity based plans offered by the Company are not permitted to utilise mechanisms to limit the risk associated with that plan.

The Company Secretary must maintain a register of securities transactions.

The Company must comply with its obligations to notify the ASX in writing of any changes in the holdings of securities or interest in securities by Directors.

Director's Report

Directors' Report

The Directors present their report together with the financial report of the consolidated entity consisting of CSG Limited ("CSG" or "the Company") and its subsidiaries ("CSG Group"), for the financial year ended 30 June 2017 and Auditor's report thereon. This financial report has been prepared in accordance with Australian Accounting Standards.

1. Directors

The qualifications, experience and special responsibilities of each person who has been a Director of the Company at any time during or since the end of the financial year is provided below, together with details of the Company Secretary as at the year end.

Stephen Anstice

BA (Economics), Grad. Dip. (SAI)

Non-Executive Chairman

Member, Audit and Risk Management Committee

Member, Nomination and Remuneration Committee

Stephen Anstice has over 23 years' experience in the communications industry. Until June 2013, Stephen Anstice was CEO of IPMG Pty Ltd ("IPMG"), a print, digital and marketing communications business. Stephen Anstice also has an extensive background in investment banking. He is currently a Non-Executive Director of PMP Limited and Audant Investments Pty Limited. Stephen Anstice has a Bachelor of Arts (Economics) from Macquarie University and a Graduate Diploma from the Securities Institute of Australia.

Appointed 20 August 2014

Appointed Chairman 15 February 2016

Thomas Cowan

B.Com (Hons)

Non-Executive Director

Former Non-Executive Chairman

Member, Audit and Risk Management Committee

Chairman, Nomination and Remuneration Committee

Thomas Cowan is a partner of TDM Asset Management, a Sydney based private investment firm. TDM Asset Management invests in public and private companies globally. Thomas Cowan has over 15 years of financial markets experience, including roles in corporate finance and investment banking at Investec Wentworth and KPMG Australia. He has a Bachelor of Commerce (Honours – Class 1) from the University of Sydney. Thomas Cowan was previously Non-Executive Director of Baby Bunting Group Limited from June 2009 to March 2017.

Appointed 8 February 2012

Appointed Chairman 15 August 2012

Ceased Chairman 15 February 2016

Appointed Chairman of Nomination and Remuneration Committee 15 February 2016

Directors' Report

Julie-Ann Kerin

AICD

Managing Director & Chief Executive Officer

Since Julie-Ann Kerin was appointed as Chief Executive Officer and Managing Director of CSG in 2012, she has established a proven track record of delivering strong growth and significant return to shareholders. Under Julie-Ann Kerin's leadership, CSG successfully completed the transaction of the sale of the former Technology Solutions Division to NEC Australia in 2012, for \$227.5 million and subsequently returned \$130 million to shareholders over the following three years. Prior to Julie-Ann Kerin's appointment as CEO, she was the Group-General Manager of the former Technology Solutions division for five years, and achieved revenue growth from \$9m to \$183m. She has more than 20 years' experience as a senior executive managing both private and public companies across the information technology sector. Prior to joining CSG, Julie-Ann Kerin was responsible for the global management of operations and staff across Asia, the United States, Australia and Europe for a number of organisations. She has also held roles with IT companies Actuate, Haht Commerce, Genasys Inc and Computer Power. Julie-Ann Kerin is a member of the Australian Institute of Company Directors.

Appointed 1 February 2012

Robin Low

B.Com, FCA, GAICD

Non-Executive Director

Chairman, Audit and Risk Management Committee
Member, Nomination and Remuneration Committee

Robin Low was formerly a partner at PricewaterhouseCoopers for over 17 years and has extensive experience in assurance and risk management, particularly in the financial services area. She is currently a Non-Executive Director of AUB Group Limited, IPH Limited and Appen Limited. Robin Low is also a member of the Audit and Assurance Standards Board and on the board of a number of not-for-profit organisations including Sydney Medical School Foundation, Public Education Foundation and Primary Ethics. Robin Low has a Bachelor of Commerce from The University of New South Wales, is a Fellow of the Institute of Chartered Accountants in Australia and is a Graduate Member of the Australian Institute of Company Directors.

Appointed 20 August 2014

Appointed Chairman of Audit and Risk Management Committee
20 August 2014

Mark Phillips

B. Com (Hons), M. Com, FAICD

Former Non-Executive Director

Former Member, Audit and Risk Management Committee
Former Member, Nomination and Remuneration Committee

Mark Phillips has substantial experience in banking and asset leasing. Mark Phillips worked at the Commonwealth Bank of Australia for 20 years in various roles involving asset finance, securities and trading markets, property lending and government finance.

Mark Phillips was formerly Managing Director of Record Investments Limited (Record) and Keybridge Capital Ltd. While Managing Director at Record, the market capitalisation grew from approximately \$100 million to over \$1.5 billion.

Mark Phillips is currently a Non-Executive Director of General Reinsurance Australia Limited and General Reinsurance Life Australia Limited (a Berkshire Hathaway company) and Chairman of Cancer Council (NSW).

Mark Phillips was formerly a Non-Executive Director of Interlink Roads Ltd and ASB Bank Limited in New Zealand.

Mark Phillips has a Bachelor of Commerce and a Masters of Commerce from the University of New South Wales and is a Fellow of the Australian Institute of Company Directors.

Appointed 20 August 2014

Resigned 16 March 2017

2. Company Secretary

Thomas Wilcox

B.Com, LLB, LL.M

General Counsel and Company Secretary

Thomas Wilcox was appointed as General Counsel and Company Secretary in March 2017. He joined CSG after 8 years with the Rio Tinto Group, during which he held a number of legal and commercial roles based in London, Melbourne and Darwin. His most recent role was General Counsel and Company Secretary of Rio Tinto's ASX-listed subsidiary, Energy Resources of Australia Limited. Prior to that he was employed in private legal practice in Melbourne and London since 2003.

Thomas Wilcox has a Bachelor of Laws, Bachelor of Commerce and Master of Laws from The University of Melbourne.

He is currently a director of AFLNT, the governing body of Australian Rules Football in the Northern Territory.

Appointed 27 March 2017

Directors' Report

3. Directors' Meetings

The number of Directors' meetings (including meetings of Committees of Directors) and number of meetings attended by each of the Directors of the Company during the financial year are:

Director Name	Board Meeting		Audit & Risk Management Committee		Nomination & Remuneration Committee	
	Meetings Held ⁽ⁱ⁾	Meetings Attended	Meetings Held ⁽ⁱ⁾	Meetings Attended	Meetings Held ⁽ⁱ⁾	Meetings Attended
Current						
Stephen Anstice	15	15	4	4	4	4
Thomas Cowan	15	15	4	4	4	4
Robin Low	15	15	4	4	4	4 ⁽ⁱⁱ⁾
Julie-Ann Kerin	15	15	4	4 ⁽ⁱⁱⁱ⁾	4	4 ⁽ⁱⁱⁱ⁾
Former						
Mark Phillips	11	11	1	1	2	2

(i) Number of meetings held during the time the Director held office or was a member of the relevant committee during the financial year.

(ii) Robin Low attended two (2) meetings by invitation and two (2) meetings as a member.

(iii) Julie-Ann Kerin attended by invitation.

In addition to the above meetings, the following committees of the Board met during the financial year:

- a committee comprising of Stephen Anstice, Thomas Cowan, Robin Low and Julie-Ann Kerin met for the purposes of approving the 2016 Full Year Financial Statements; and
- a committee of the Board comprising of Stephen Anstice, Thomas Cowan and Robin Low met for the purposes of approving the 2017 Half Year Financial Statements.

4. Principal Activities

The principal activities of the CSG Group during the financial year were print and business technology solutions in Australia and New Zealand supported by in-house equipment financing.

There have been no significant changes in the nature of the activities of the CSG Group during the financial year.

Directors' Report

5. Operating and Financial Review

5.1 OPERATIONS OVERVIEW

CSG is a Technology as a Subscription provider in Australia and New Zealand, supported by an in-house equipment financing business.

CSG is the largest non-manufacturer of print and business technology solutions in the Australia and New Zealand market, and has a national sales and service footprint in both countries. The Company's customers range from Small-to-Medium Enterprises ('SMEs'), through to large corporate and government organisations. CSG has developed a unique product suite to deliver single source technology solutions to all of its customers, regardless of size.

In the Australian and New Zealand markets, CSG works closely with a number of major business partners (including Canon, Konica Minolta, HP, Samsung, Microsoft and 8x8) to deliver a brand agnostic, unique end-to-end product and service offering.

A key differentiator is that CSG customers can source all of their essential IT needs from one supplier with one simple monthly bill. CSG solutions include managed IT, cloud unified communications, contact centre, desktop, display and print, all offered as subscription and fully supported by our national service network. The Company's 'as a subscription' approach gives businesses access to the latest technologies with minimal or zero capital outlay and provides an easily trackable and predictable IT spend.

The CSG value proposition is underpinned by premium service combined with efficient financing and high quality technical advice. As the only listed company of size and scale that can provide sales, service and support access in Australia and New Zealand, CSG differentiates itself from manufacturers, office supply and technology retailers, integrators, equipment finance providers and independent dealers, with whom it competes.

CSG currently employs approximately 710 staff in 27 locations across Australia and New Zealand. CSG has a commitment to diversity and recognising and rewarding its staff. CSG strives to achieve above industry standard benchmarks for workforce productivity, whilst delivering the highest level of staff satisfaction.

5.2 REVIEW OF GROUP OPERATIONS

In July 2015, CSG set out to build an innovative technology business and in FY2017 the technology business represented approximately 17% of revenue. As we continued to execute on our Technology as a Subscription strategy in FY2017, we have made a number of operational achievements including:

- Continued growth in Technology as a Subscription with subscription seats increasing to 27,300 seats as at 30 June 2017. This represents organic growth of approximately 104% on the prior corresponding period, excluding the impact of the R&G Technologies and pcMedia Technologies acquisitions completed during the year;
- Completed restructure of New Zealand and parts of the Australian business during 2H FY2017 with approximately \$1.2 million of associated cost savings (annualised benefit of \$4.4 million);
- Amended shareholder and distribution agreements with Konica Minolta Inc. allowing the Company to re-name the business in New Zealand and re-brand as CSG (previously Konica Minolta);
- Soft launch of partnership with Officeworks to provide technology subscription bundles to its customer base in Australia;
- Launched partnership with Bank of New Zealand where CSG will be a member of their Business Essentials Program to recommend Technology as a Subscription to Bank of New Zealand SME customers;
- Completed the acquisitions of R&G Technologies in Brisbane (January 2017) and pcMedia Technologies in New Zealand (June 2017);
- Won a number of Communications as a Subscription contracts (8x8) within Enterprise Solutions, including two Virtual Contact Centre contracts;
- Achieved an in-the-field Net Promoter Score¹ (NPS) score of 62.0; and
- Made a number of key changes to our management structure that will strengthen our ability to scale and accelerate the growth in delivering Technology as a Subscription to our customers.

¹ Net promoter score is a method of measuring customers' loyalty. To calculate NPS, customers are categorised as "Promoters", "Passives" or "Detractors" based on how likely they would be to recommend CSG to a friend or colleague. The percentage of Detractors is then subtracted from the percentage of Promoters.

Directors' Report

5. Operating and Financial Review (cont.)

5.3 REVIEW OF GROUP FINANCIAL PERFORMANCE²

2017 was a year with mixed results for CSG. Over the last two years, the Company has been transitioning from a print services company into a Technology as a Subscription provider. In FY2017, the Company has faced challenges in respect to maintaining consistency in the traditional print equipment part of the business with print equipment sales relatively flat on prior year. During the 2017 financial year, CSG also delivered on a number of key initiatives that have positioned the Company to deliver revenue growth, as well as improved profitability over the medium term.

The financial results for the FY2017 year are as follows:

- Total revenue declined by 1% to \$244.5m;
- Underlying EBITDA declined by 21% to \$30.3m;
- Underlying NPAT before customer contract amortisation declined by 24% to \$19.4m;
- Reported NPAT of \$(43.7)m, impacted by the non-cash impairment of \$55.0m of intangible assets relating to goodwill associated with the print business; and
- 53% conversion of underlying EBITDA to operating cash flow (excluding the investment in lease receivables and non-recurring items) in the second half and 51% over the year.

Operating Performance

The Board measures a number of items to assess the performance of the business one of which is Underlying EBITDA after taking into account all non-recurring or one-off items. This is an unaudited measure which is reconciled to the audited Net Profit After Tax ("NPAT") in the table below:

	FY17 \$m
Revenue from continuing operations	244.5
NPAT	(43.7)
Add Tax	1.6
Add Depreciation and Amortisation	7.1
Add Interest expense / (income)	2.4
EBITDA	(32.6)
Add Non-recurring items	
LTIP / Employee Share Plan	2.0
Acquisition and related legal costs	1.0
Direct Sales	3.0
Impairment	55.0
Restructuring charges	1.8
Underlying EBITDA	30.3

(a) Revenue

Group revenue declined by 1% to \$244.5m during FY2017. This has been as a result of slower than planned customer commitments to large print and technology transactions in our enterprise business (impact of \$7m) and less than anticipated headcount in our Business Solutions business in Australia and New Zealand (impact of \$3m).

Despite revenue being flat year-on-year, we continued to see revenue growth in the strategic areas of the business such as technology subscription revenue in line with growth in technology subscription seats.

(b) Expenses

Underlying EBITDA margin declined from 15.5% to 12.4%. Key drivers of this decline were:

- Total expenses (excluding depreciation & amortisation and the non-cash impairment charge) grew by 4% year on year due to continued investment in sales channels, compared to a 1% decline in revenue;
- Non-COGS related costs (excluding share based payments) increased by 10% year on year compared to 1% decline in group revenue; and
- Borrowing costs in Finance Solutions continues to benefit from the low interest rate environment in delivering a 52% return on equity.

Customer contract amortisation has increased from \$3.1m in FY2016 to \$3.7m due to acquisitions completed during the year.

5.4 REVIEW OF GROUP FINANCIAL POSITION

CSG has a closing cash balance of \$20.3m, including an amount of \$8.4m held in restricted cash accounts under the terms of the CSG Finance Solutions debt facilities (refer note 6).

Cash conversion was lower than expected in FY2017 after excluding the impact of investment in the Lease Receivables and non-recurring items. This primarily relates to an increase in stock levels along with several unfinanced deals.

² Figures contained in the "Review of Group Financial Performance" are unaudited.

Directors' Report

5. Operating and Financial Review (cont.)

(\$m)	1H16	2H16	FY16	1H17	2H17	FY17
EBITDA (underlying)	17.3	20.8	38.1	14.1	16.2	30.3
Operating cash flow (reported)	(25.0)	(7.4)	(32.4)	2.3	(5.1)	(2.8)
add tax paid	1.8	1.6	3.4	2.3	1.7	4.0
add net interest paid	0.7	0.8	1.5	1.0	1.1	2.1
add non-recurring cash items	2.2	1.7	3.9	2.2	4.4	6.7
add change in lease receivables	26.1	24.1	50.2	(1.1)	6.5	5.4
ungeared pre tax cash flow	5.8	20.8	26.6	6.7	8.6	15.4
Profit to cash conversion	34%	100%	70%	48%	53%	51%

Lease receivables in the Finance Solutions business have grown to \$266.3m (\$260.8m in FY2016) with \$225.4m funded by associated debt (84% in FY2016). The growth in the book has primarily been driven by continued expansion of the Australian operations.

Total shareholder returns during the year of \$21.1m include an on market buyback of \$5.2m (or 4.1m shares) during the first half of the year.

5.5 DIVISIONAL REVIEW

(a) Business Solutions

CSG Business Solutions provides the sales, support, service and financing of print and business technology equipment to SME customers across Australia and New Zealand. CSG's scale, national presence and significant brand partnerships give it the flexibility to service businesses of any size and in any location across Australia and New Zealand.

SMEs have traditionally relied on up to 15 separate suppliers to meet the needs of a variety of business technology and print equipment requirements, each with separate billing, leasing and service relationships.

CSG Business Solutions delivers significant time savings and improved cash flow management to the SME segment by being the single provider of business technology solutions with full support and delivering one simple subscription based bill. This offering is currently unique to the market both in Australia, New Zealand and globally. The CSG Technology as a Subscription product suite is currently comprised of the following offerings:

- Print as a Subscription – Print solutions that include equipment, parts, consumables and service for a single monthly operating expense;
- CSG Total Office – Complete end-user technology bundle including desktop / laptop, enterprise grade cloud telephony, Microsoft Office 365 Business Premium, cloud storage, backup and full support for a fixed monthly per user price;
- Communications as a Subscription – CSG's enterprise grade business cloud telephony solution powered by 8x8;

- Desktop as a Subscription – Desktop / laptop, cloud storage and backup with full support;
- Boardroom as a Subscription – Full boardroom package combining Samsung digital display technology with cloud conferencing; and
- Display as a Subscription – Large format & digital displays, video walls, cloud displays and business monitors.

In FY2017, Business Solutions had flat revenue relative to the prior corresponding period. Equipment sales were impacted due to lower than expected sales heads throughout the year. A key focus for FY2018 will be to continue adding quality additional sales heads to the Business Solutions sales force to drive revenue growth.

It is anticipated that earnings growth in FY2018 will be driven by a number of key initiatives, including:

- Further penetration of existing SME customer base by cross-selling Technology as a Subscription bundles;
- Focus on adding additional sales heads to the Business Solutions sales force to drive growth in equipment revenue and technology subscription seats;
- Restructure of the leadership team to create dedicated sales management and separate operations and service functions;
- Invest in sales and implementation resources to support accelerated seat growth;
- Re-brand in New Zealand from Konica Minolta to CSG;
- Develop partnership with HP across Australia and New Zealand;
- Launch Cloud based business application suite in CSG Cloud Marketplace;
- Grow print market share by using technology products to penetrate other print vendors' customer bases;
- Leverage the internal IT platform to deliver improved customer service, increased productivity in service and operations and focused marketing initiatives; and
- Leverage the relationship and reputation of leading global business partners including Canon, Konica Minolta, HP, Samsung, Microsoft and 8x8.

Directors' Report

5. Operating and Financial Review (cont.)

(b) Enterprise Solutions

CSG Enterprise Solutions offers enterprise grade, global, secure and reliable managed print and technology solutions to enterprise, education and government customers in Australia and New Zealand. With next generation technologies and a disruptive cloud first approach, we challenge the traditional managed IT providers to deliver better outcomes for our customers. In Australia, CSG is the only national, brand agnostic provider of print solutions in the market, and in New Zealand, the Group operates a well-established and market leading business through its partnerships with Konica Minolta and HP.

The Enterprise Solutions product suite is currently comprised of the following offerings:

- **Private Cloud Platform** – Secure data centre services in Australia and on-demand infrastructure for critical business applications;
- **CSG Marketplace** – Simplified and centralised procurement solution where customers can subscribe to, track, manage and view all of their technology services;
- **Managed Print** – Cloud delivered enterprise print and document management solutions;
- **End-User Computing** – Larger scale fully managed desktop solutions including hardware, software, communications, and cloud solutions;
- **Display Solutions** – Intelligent customised display solutions; and
- **Cloud Communications** – Integrated cloud contact centre and enterprise grade business phone solutions.

Enterprise Solutions delivered good progress in growing its technology business in FY2017 winning two Communications as a Subscription contracts with an infrastructure company based in Victoria and a domestic retail chain. Enterprise Solutions also won a Virtual Contact Centre contract with an Australian hotel chain. The division also added a number of new Managed Print customers, including an Australian utility company, a financial services organisation based in Queensland and a South Australian health organisation.

During second half FY2017, the Company completed two strategic bolt-on acquisitions within Enterprise Solutions; R&G Technologies (R&G) and pcMedia Technologies (pcMedia). R&G is a Brisbane-based Managed IT services business which was acquired in January 2017. The acquisition of R&G will provide CSG with additional capabilities in the IT, cloud and managed services, 50+ enterprise and SME managed services customers and importantly, it provides the Company with referenceable customers to help new enterprise wins. The Company has already had some early success with this acquisition and has cross-sold Communications as a Subscription services to an existing R&G customer with 180 seats, increasing the monthly recurring revenue per seat from this customer.

In June 2017, CSG completed the acquisition of pcMedia, a New Zealand based Managed IT services provider in the education sector. The acquisition of pcMedia will provide CSG with Microsoft Cloud Provider Tier 1 Status in New Zealand and an experienced technical team in the region. The transaction also adds approximately 9,200 seats in the education sector which will provide CSG with referenceable customers to further penetrate this vertical market.

It is anticipated that earnings growth will be driven in FY2018 by a number of key initiatives, including:

- Focus on converting IT managed services pipeline;
- Support channel partners (including Officeworks and Bank of New Zealand) with the roll-out of Technology as a Subscription bundles into their customers;
- Leverage the acquisition of R&G by cross-selling CSG technology offerings to R&G Technology customers;
- Continue to grow subscription seats through pcMedia to become the primary Microsoft Cloud Solutions provider to the education sector in New Zealand;
- Leverage growth from government panels; and
- Continue to seek new channels to white label Technology as a Subscription solutions under a formal channel program.

(c) Finance Solutions

CSG Finance Solutions is a specialist service provider of lease and rental products for print and business technology assets sold and serviced by CSG in both Australia and New Zealand. The book is driven by 95% conversion of customers, including government, corporate and commercial businesses across both regions.

CSG's finance business is well managed with strong performance, driven by bad debts of less than 0.5% and strong returns on equity of 43% in 1H FY2017 and 52% in 2H FY2017. Overall, leasing receivables grew 2% to \$266.3m in FY2017.

CSG Finance is a critical element in enabling the Business Solutions business to be able to deliver bundled Technology as a Subscription offerings and also to be able to finance the equipment component of large enterprise contracts. Growth targets for this division include:

- Continuing to support the current print business in both the existing customer base and the targeting of new customers;
- Supporting the rollout of the Officeworks initiative by providing finance for the subscription bundles;
- Increasing penetration into Enterprise Solutions customer base; and
- Supporting the growth of the Technology as a Subscription product suite.

5.6 MARKET SIZING

CSG provides Technology as a Subscription solutions to SME and corporate customers. The total addressable market in relevant verticals is estimated to be approximately 4.2 million seats across Australia and New Zealand.³ CSG's existing SME customer base across Australia and New Zealand represents approximately 7% of the total addressable market and CSG's current market share is estimated to be less than 0.5% of the total addressable market.

It is estimated that CSG has currently penetrated approximately 5% of its existing print customer base to cross-sell Technology as a Subscription solutions.

³ Based on Dun & Bradstreet data extrapolated for New Zealand. Data represents Small to Medium Enterprises within relevant verticals with a range of 5 to 99 seats per customer.

Directors' Report

5. Operating and Financial Review (cont.)

5.7 RISK MANAGEMENT

Corporate Governance

The Board of CSG Limited believes that a strong corporate governance framework will underpin growth in the Company. CSG's corporate governance policies and practices are set out in the Corporate Governance Statement. The Corporate Governance Statement can be found on pages 16 to 24 of this Annual Report.

CSG has identified the following at risk areas and mitigating procedures:

Principal Risk Area		Risk Management Approach
Innovation	Inability to optimise full value of innovation opportunities in services, products, processes and commercial solutions to support growth opportunities.	CSG has a proactive growth strategy that combines leadership, partnerships, and continual review.
Foreign Exchange	Revenue from non-Australian operations is denominated primarily in New Zealand Dollars (NZD) and equipment purchases for New Zealand operations are primarily in US Dollars (USD). Fluctuations in foreign currency exchange rates may result in corresponding movements in revenues and earnings.	Currency risk is hedged in accordance with treasury risk policy. The treasury risk policy aims to manage the impact of short-term fluctuations in CSG's earnings. Derivative financial instruments (forward exchange contracts and options) are used to hedge exposure to fluctuations in foreign exchange rates. Over the longer term, permanent changes in market rates will have an impact on earnings.
Interest Rate	The CSG Group has both corporate and operational debt facilities. Movements in interest rates could have an adverse impact on cash flows and operating results.	To minimise interest rate risk between the fixed rate assets and variable rate liabilities, management uses interest rate swaps to broadly match fixed rate assets to floating rate liabilities.
Availability of Debt	CSG's finance divisions in Australia and New Zealand provide rental and lease products to customers. These businesses are sensitive to credit cost and market liquidity. Should there be any disruptions in the credit markets or changes in the procurement of credit there could be a reduction in the availability of credit or an increase in the cost of sources of funding.	Credit indicators and market conditions are monitored on a regular basis by management. CSG has also completed the refinancing of the majority of facilities to extend their term. Refinement of the funding structure is an ongoing process. External expert advice is also sought to keep abreast of market developments.
Key Suppliers	CSG's key suppliers are Canon, Konica Minolta, Samsung, 8x8 and HP who supply the majority of inventory. It is critical to maintain these relationships to ensure ongoing supply.	CSG has maintained a long term relationship with a majority of these suppliers. These relationships are managed carefully by CSG's executive team and the Board through long term contracts under commercial terms.
Key Personnel	CSG's continued success is highly dependent upon the efforts of the executive team and other key employees including sales professionals. The retention of these skilled personnel is critical.	CSG has in place a Long Term Incentive Plan for executive personnel and other key management, including the key sales team, a key criterion for eligibility being continued employment. There is a share based plan for all other employees across Australia and New Zealand.
Competition	The Company's business is susceptible to competition in the markets in which the Company operates. Additionally, competitive pricing strategies and demands from high value clients seeking preferred supplier agreements, may impact on the Company's profit margins and profit share.	The risk is mitigated by a large diversified client base with multi-year agreements in place reducing the impact of pricing strategies and demands from any one customer.

Directors' Report

6. Remuneration Report

Dear Shareholder,

On behalf of your Board, I am pleased to present CSG's 2017 Remuneration Report which sets out remuneration information for the Chief Executive Officer ("CEO"), the Group Executive, Non-Executive Directors and the broader employee group.

The Board recognises that the performance of CSG depends on the quality and motivation of its people, including Group Executives and other employees are all aligned to the interests of our shareholders. CSG's remuneration strategy seeks to appropriately pay, incentivise and retain high performing people while overlaying a strong emphasis upon performance based reward.

Core to our remuneration philosophy is a performance culture, where the contributions of the Group Executive, Senior Management and other employees are all aligned to the interests of our shareholders. For Group Executives and Senior Management this is achieved via both a Short Term Incentive Plan ("STIP") heavily weighted to annual targets, and an equity based Long Term Incentive Plan ("LTIP"). For general employees, there is a Tax Exempt Share Plan ("TESP") offered in Australia and New Zealand. Both equity plans are linked to Company performance.

During FY2017, changes were made to the STIP to further strengthen the alignment with shareholder interests. While there continues to be a heavy weighting on Company performance, and in particular key financial measures, the achievement of the Corporate financial targets are now a 'gate' that must be achieved before payment of any other Corporate and Divisional components of the STIP. In essence, this means if the Corporate financial targets are not met no STIP payments will be paid to Group Executives and Senior Management.

In November 2016, the 2013-2015 LTIP concluded with the vesting of the final stage of Performance Rights which achieved the performance hurdle set at the commencement of that scheme.

For the period 2016-2020 a new LTIP was approved at the Annual General Meeting in November 2015 and Performance Rights were subsequently issued to the CEO. Subject to performance hurdles being met, the vesting points for this plan are 2018, 2019 and 2020 respectively. While the Board remains fully committed to the alignment of shareholder and management interests through the LTIP, introduction of the current scheme to other Executives was deferred due to management changes during the year and to also allow review of the scheme's application in light of the transition the business is undertaking. Should any changes to the 2016-2020 LTIP be proposed by the Board because of this review, and specifically if they impact the CEO, they will be put to shareholders at the Annual General Meeting in November 2017.

Since 2012, general employees who meet the eligibility requirements have been offered the opportunity to participate in respective Australian and New Zealand TESP. These provide for AUD \$1,000 worth of CSG shares on a tax free basis, subject to satisfactory Company performance and Board approval. In November 2016, a further 751,680 shares were issued to 98% of eligible employees for their contribution in FY2016. This is the highest take up rate achieved under this plan. In six years of operation the TESP has now issued approximately 1,860,000 shares to our employees.

The Group Executive and Senior Management acknowledge that Company performance in FY2017 has fallen short of expectations. The consequence of not meeting the Corporate financial targets is that there will be no STIP payment in FY2017. Similarly, there will not be a TESP offering to general employees for FY2017. While this is disappointing, it does reflect our ethos that reward should be closely aligned to the results delivered.

Thank you for reviewing the 2017 Remuneration Report. The Board is confident that CSG's remuneration practices are well designed to reflect achievement and to incentivise strong performance. It is this performance that is required to execute our business strategy and create sustainable shareholder value.

Yours sincerely



Thomas Cowan

Chairman, Nomination and Remuneration Committee

Directors' Report

This report covers the Key Management Personnel ("KMP") of CSG. KMP are employees with authority and responsibility for planning, directing and controlling the activities of the CSG Group that can materially affect its performance. As such, the KMP for the year ending 30 June 2017 are:

- all persons who have held the position of Director of CSG Limited during the financial year, including Julie-Ann Kerin, CEO/Managing Director;
- Gary Brown, Chief Financial Officer ("CFO") (from February 2017);
- Neil Lynch, CFO (until March 2017);
- Stephen Birrell, Chief Enterprise Solutions Executive;
- Declan Ramsay, Chief Business Solutions Executive;
- Warwick Beban, Country Manager, New Zealand; and
- Mark Thomas, Chief People Executive.

7. Remuneration Governance

The policy for determining the nature and amount of remuneration of Directors and Group Executives is agreed by the Board. The Board has established a Nomination and Remuneration Committee, which is responsible for the following:

- reviewing and recommending to the Board the appropriate remuneration of the CEO, members of the Group Executive and Non-Executive Directors;
- ensuring that remuneration levels take into account risks involved, demands and time requirements of each role, experience and relevant industry and related benchmarks;
- developing and recommending to the Board remuneration incentive programs such as bonus schemes and Group share schemes;
- developing, maintaining and monitoring appropriate remuneration policies and procedures;
- ensuring that the structure of Non-Executive and Executive Directors' remuneration is clearly distinguished;
- ensuring that equity based Group Executive remuneration is paid in accordance with thresholds set out in plans as disclosed to or approved by shareholders; and
- reviewing and approving appropriate disclosures to be included in the Company's Annual Report regarding the Nomination and Remuneration Committee, its activities and performance.

The Board obtains professional advice where necessary to ensure that the Company attracts and retains talented and motivated employees and Non-Executive Directors who can enhance Company performance through their contributions and leadership.

8. Remuneration Objectives, Policy and Practice

The Board, with assistance from the Nomination and Remuneration Committee, is ultimately responsible for ensuring that CSG's Remuneration Policy is consistent with the business strategy and performance, supporting increased shareholder wealth over the long term.

The objective of the Remuneration Policy is to ensure the reward for performance is competitive and appropriate for the results delivered.

The Remuneration Policy details a framework for remuneration to be paid across the Company, from employees to KMP, which includes a mix of fixed and variable remuneration, and short-term and long-term performance based indicators.

Fixed remuneration

- Fixed remuneration is determined according to industry standards, relevant laws and regulations, labour market conditions, the profitability of the CSG business and individual experience. It consists of base remuneration and superannuation. Base remuneration includes cash salary and any salary sacrifice items (e.g. motor vehicles).
- CSG provides employer superannuation contributions at Government legislated rates (2017: 9.5% in Australia and 3% in New Zealand), capped at the relevant concessional contribution limit unless part of a salary sacrifice election by the employee.
- The Board determines an appropriate level of fixed remuneration for the CEO and Group Executives, with recommendations from the Nomination and Remuneration Committee.
- Fixed remuneration for the CEO and Group Executives has been capped for the period FY2016-FY2020 in recognition of their participation in the 2016-2020 LTIP.

Directors' Report

8. Remuneration Objectives, Policy and Practice (cont.)

Short Term Incentives

Short term incentives are assessed against a mix of Company key performance indicators ("KPI") which drive joint accountability (Corporate Scorecard), and individual KPI's for which managers are personally accountable (Divisional Scorecard).

For 2017 the Corporate Scorecard was based on the following targets:

Category	Target	Weighting
Financial (60%)	Achieve EBITDA target	25%
	Achieve revenue growth target	10%
	Ensure cash targets are achieved	25%
Non-Financial (40%)	Successful integration of all acquisitions	10%
	Achievement of Net Promoter Score target for customer engagement	5%
	Achievement of key business transformation objectives	15%
	Achievement of employee training & development objectives	5%
	Board reporting	5%

To encourage and reward Management for extraordinary performance there is an overachievement attached to the EBITDA target that will result in that component being paid at the percentage of the overachievement multiplied by the KPI weighting.

The financial measures in the Corporate Scorecard are a 'gate' that must be achieved before the payment of any other Corporate and Divisional Scorecard components.

The STIP payment is based on the following percentage framework:

CEO/MD:	100% Corporate Scorecard
CFO:	70% Corporate Scorecard / 30% Divisional Scorecard
Group Executives:	50% Corporate Scorecard / 50% Divisional Scorecard
Senior Managers:	30% Corporate Scorecard / 70% Divisional Scorecard

Long Term Incentives

- While STIP recognises performance in any single year, the Board considers it essential that the Group Executive and other Management (together the "Senior Executives") have reward incentives linked to longer-term Company performance and value creation for shareholders.
- Following approval by the shareholders at the 2012 Annual General Meeting, the CEO and Senior Executives were issued with Performance Rights under the 2013-2015 Executive LTIP (LTIP Issues 5, 6, 7 & 8). Each performance right represented an option to receive one ordinary share in the Company, subject to the satisfaction of the relevant vesting conditions. The share price hurdle for the final stage of the 2012-2015 LTIP was achieved and shares vested in November 2016 in accordance with the scheme rules.
- At the 2015 Annual General Meeting, shareholders approved a LTIP for the CEO and Senior Executives for 2016-2020. At that meeting, shareholders also approved the issue of Performance Rights to the CEO and these were subsequently issued in November 2016. While the Board remains fully committed to the alignment of shareholder and management interests through the LTIP, introduction of the current scheme to other Senior Executives was deferred due to management changes during the year and to also allow review of the scheme's application in light of the transition the business is undertaking. Should any changes to the 2016-2020 LTIP be proposed by the Board because of this review, and specifically if they impact the CEO, they will be put to shareholders at the Annual General Meeting in November 2017.
- As appropriate, where employees are promoted or new Senior Executives are appointed they are offered participation in the LTIP after 12 months satisfactory service with the Company, consistent with the existing plan and with the same hurdles.
- It is expected that participants maintain a meaningful amount of any Company equity that vests, further linking the alignment of Senior Executives to shareholder goals.
- During the 2015 financial year, the Company issued Performance Rights to certain Sales Agents. These Performance Rights had a vesting date of 1 July 2017, subject to continued engagement. These Sales Agents are a key component of the Company's sales force, and their commitment and retention is viewed as critical to achieving the Company's future growth strategy.

Directors' Report

8. Remuneration Objectives, Policy and Practice (cont.)

Long Term Incentive Plans

Details regarding Performance Rights on issue during the year are listed in the table below.

LTIP	Opening	Issued	Lapsed	Exercised	Closing
Issue 5	1,333,333	-	-	(1,333,333)	-
Issue 7	2,737,996	-	(133,333)	(2,604,663)	-
Issue 8	40,000	-	-	(40,000)	-
Issue 9	-	4,189,000	-	-	4,189,000
Total	4,111,329	4,189,000	(133,333)	(3,977,996)	4,189,000

Plan	Detail
LTIP 9	The CEO was granted 4,189,000 Performance Rights in the 2017 financial year under LTIP 9. The structure of the LTIP was formulated early in the 2016 financial year and was subsequently approved by the shareholders at the Annual General Meeting on 19 November 2015. The terms of the grant were based on CAGR ⁽ⁱ⁾ of TSR ⁽ⁱⁱ⁾ and EPS ⁽ⁱⁱⁱ⁾ :
	<div> <div>TSR Rights</div> <div>EPS Rights</div> <div>Total Performance Rights</div> <div>Vesting Date</div> <div>Expiry Date</div> </div>
LTIP Stage 1	209,450 209,450 418,900 30/09/2018 30/09/2020
LTIP Stage 2	628,350 628,350 1,256,700 30/09/2018 30/09/2020
LTIP Stage 3	628,350 628,350 1,256,700 30/09/2019 30/09/2020
LTIP Stage 4	628,350 628,350 1,256,700 30/09/2020 30/09/2020

(i) CAGR means compound annual growth rate (expressed as a percentage).

(ii) TSR means the total shareholder return per ordinary shares in the Company for the applicable period of time. Total shareholder return is the growth in share price plus dividends, assuming dividends are reinvested.

(iii) EPS means the earnings per weighted average ordinary shares in the Company for the applicable period of time, adjusted for (1) the share based payments expense associated with grants made under the CSG's Long Term Incentive Plan (as set out in the relevant audited accounts), (2) the 'Contract Customer Amortisation' expense (as set out in the relevant audited accounts) and (3) any other items the Board, at its absolute discretion, considers abnormal.

When calculating the TSR CAGR for a performance period, the CSG share price on the trading day following the release of the Company's relevant financial results will be deemed to be the 30-day volume weighted average sale price on the ASX of CSG shares commencing on that trading day plus any cash dividend paid. EPS CAGR is calculated from the base set at performance right grant date.

Each Performance Right represents a right to receive one ordinary share in the Company, subject to satisfaction of the relevant vesting conditions. 50% of all shares received under the LTIP must be held in escrow until the end of the plan (September 2020).

The table below sets out the vesting schedule for the proposed grant of Performance Rights:

TSR Rights	EPS Rights	Issued
CAGR in TSR across the applicable performance period	CAGR in EPS across the applicable performance period	Percentage of Performance Rights that will vest
CAGR is less than 15%	CAGR is less than 10%	Nil
CAGR is equal to 15%	CAGR is equal to 10%	20%
CAGR is greater than 15% and less than or equal to 25%	CAGR is greater than 10% and less than or equal to 20%	Progressive pro-rata vesting from 20% to 100% (i.e. on a straight line basis)
CAGR is equal to or greater than 25%	CAGR is equal to or greater than 25%	100%

Directors' Report

8. Remuneration Objectives, Policy and Practice (cont.)

The table below sets out the applicable Performance Periods for each stage of Performance Rights. It also sets out in what period CSG Limited will first test the Vesting Conditions.

In the event that the Vesting Conditions are not satisfied or are only partially satisfied for any of the first, second or third stage, those Performance Rights that do not vest will not lapse but remain available for vesting at the end of subsequent Performance Periods. Performance Rights will only vest in a testing period subsequent to their first testing period (see table below) if the relevant CAGR performance is greater than that achieved in the earlier testing periods. Any Performance Rights which have not vested by the end of the fourth Testing Period (i.e. the testing period in September 2020), will lapse.

Stage	TSR Rights Performance Period	EPS Rights Performance Period	First Testing Period ⁽ⁱ⁾
Stage 1 Performance Rights	From 18 August 2015 to the trading day after the release to the ASX of CSG's FY2017 annual results	1 July 2015 – 30 June 2017	September 2018
Stage 2 Performance Rights	From 18 August 2015 to the trading day after the release to the ASX of CSG's FY2018 annual results	1 July 2015 – 30 June 2018	September 2018
Stage 3 Performance Rights	From 18 August 2015 to the trading day after the release to the ASX of CSG's FY2019 annual results	1 July 2015 – 30 June 2019	September 2019
Stage 4 Performance Rights	From 18 August 2015 to the trading day after the release to the ASX of CSG's FY2020 annual results	1 July 2015 – 30 June 2020	September 2020

(i) If the relevant Performance Rights are being tested in a testing period other than their first testing period, the relevant Performance Period for that test will be the Performance Period ending immediately prior to the testing period and not the Performance Period set out above.

Directors' Report

8. Remuneration Objectives, Policy and Practice (cont.)

Plan	Detail																				
LTIP 5	<p>The CEO was granted Performance Rights in the 2013 financial year under LTIP 5. The terms of the grant were:</p> <table><thead><tr><th></th><th>Share Price ⁽ⁱ⁾</th><th>TSR CAGR</th><th>Vesting Date</th><th>Expiry Date</th></tr></thead><tbody><tr><td>LTIP Stage 1</td><td>>\$0.75</td><td>31.5%</td><td>30/11/14</td><td>30/11/15</td></tr><tr><td>LTIP Stage 2</td><td>>\$1.05</td><td>33.6%</td><td>30/11/15</td><td>30/11/16</td></tr><tr><td>LTIP Stage 3</td><td>>\$1.50</td><td>35.4%</td><td>30/11/16</td><td>30/11/17</td></tr></tbody></table> <p>(i) Share price means the volume weighted average price of the Company's ordinary shares on the ASX for a period of 4 weeks plus any cash dividends paid or capital return from February 2013 onwards minus \$0.13.</p> <p>The structure of the LTIP was formulated in early 2012 upon appointment of the CEO, and was subsequently approved by the shareholders at the Annual General Meeting in November 2012. The Performance Rights have 2, 3 and 4 year vesting periods with vesting dates on the third and fourth anniversaries of the approval date remaining. LTIP 5 has a zero exercise price.</p>		Share Price ⁽ⁱ⁾	TSR CAGR	Vesting Date	Expiry Date	LTIP Stage 1	>\$0.75	31.5%	30/11/14	30/11/15	LTIP Stage 2	>\$1.05	33.6%	30/11/15	30/11/16	LTIP Stage 3	>\$1.50	35.4%	30/11/16	30/11/17
	Share Price ⁽ⁱ⁾	TSR CAGR	Vesting Date	Expiry Date																	
LTIP Stage 1	>\$0.75	31.5%	30/11/14	30/11/15																	
LTIP Stage 2	>\$1.05	33.6%	30/11/15	30/11/16																	
LTIP Stage 3	>\$1.50	35.4%	30/11/16	30/11/17																	
LTIP 6	<p>The CEO was granted Performance Rights in the 2013 financial year under LTIP 6 as part of a retention arrangement following the sale of the Technology Solutions business. The terms of the grant were:</p> <ul style="list-style-type: none">— issued on 28 June 2013;— the participant must be employed by the CSG Group throughout the retention period;— the expiry date for exercise of vested rights is 1 December 2015; and— zero exercise price. <p>These Performance Rights vested on 1 August 2015 and the CEO was subsequently issued with 606,061 ordinary shares on 4 August 2015.</p>																				
LTIP 7	<p>Certain Senior Executives were granted Performance Rights in the 2013 financial year under LTIP 7. The terms of the grant were:</p> <table><thead><tr><th></th><th>Share Price ⁽ⁱ⁾</th><th>TSR CAGR</th><th>Vesting Date</th><th>Expiry Date</th></tr></thead><tbody><tr><td>LTIP Stage 1</td><td>>\$0.75</td><td>31.5%</td><td>30/11/14</td><td>30/11/15</td></tr><tr><td>LTIP Stage 2</td><td>>\$1.05</td><td>33.6%</td><td>30/11/15</td><td>30/11/16</td></tr><tr><td>LTIP Stage 3</td><td>>\$1.50</td><td>35.4%</td><td>30/11/16</td><td>30/11/17</td></tr></tbody></table> <p>(i) Share price means the volume weighted average price of the Company's ordinary shares on the ASX for a period of 4 weeks plus any cash dividends paid or capital return from February 2013 onwards minus \$0.13.</p> <p>The structure of the LTIP was formulated in early 2012 upon appointment of the CEO (together with LTIP 5 and 6), and was subsequently approved by the shareholders at the Annual General Meeting in November 2012. The Performance Rights have 2, 3 and 4 year vesting periods with vesting dates on the third and fourth anniversaries of the approval date remaining. LTIP 7 has a zero exercise price.</p>		Share Price ⁽ⁱ⁾	TSR CAGR	Vesting Date	Expiry Date	LTIP Stage 1	>\$0.75	31.5%	30/11/14	30/11/15	LTIP Stage 2	>\$1.05	33.6%	30/11/15	30/11/16	LTIP Stage 3	>\$1.50	35.4%	30/11/16	30/11/17
	Share Price ⁽ⁱ⁾	TSR CAGR	Vesting Date	Expiry Date																	
LTIP Stage 1	>\$0.75	31.5%	30/11/14	30/11/15																	
LTIP Stage 2	>\$1.05	33.6%	30/11/15	30/11/16																	
LTIP Stage 3	>\$1.50	35.4%	30/11/16	30/11/17																	
LTIP 8	<p>Certain Senior Executives were granted Performance Rights in the 2015 financial year under LTIP 8. The terms of the grant were:</p> <table><thead><tr><th></th><th>Share Price ⁽ⁱ⁾</th><th>TSR CAGR</th><th>Vesting Date</th><th>Expiry Date</th></tr></thead><tbody><tr><td>LTIP Stage 2</td><td>>\$1.05</td><td>33.6%</td><td>30/11/15</td><td>30/11/16</td></tr><tr><td>LTIP Stage 3</td><td>>\$1.50</td><td>35.4%</td><td>30/11/16</td><td>30/11/17</td></tr></tbody></table> <p>(i) Share price means the volume weighted average price of the Company's ordinary shares on the ASX for a period of 4 weeks plus any cash dividends paid or capital return from February 2013 onwards minus \$0.13.</p> <p>The structure of the LTIP was based on that formulated in early 2012 upon appointment of the CEO, with some variation, as appropriate, to the testing period to reflect the Senior Executives' start date or promotion.</p>		Share Price ⁽ⁱ⁾	TSR CAGR	Vesting Date	Expiry Date	LTIP Stage 2	>\$1.05	33.6%	30/11/15	30/11/16	LTIP Stage 3	>\$1.50	35.4%	30/11/16	30/11/17					
	Share Price ⁽ⁱ⁾	TSR CAGR	Vesting Date	Expiry Date																	
LTIP Stage 2	>\$1.05	33.6%	30/11/15	30/11/16																	
LTIP Stage 3	>\$1.50	35.4%	30/11/16	30/11/17																	

Directors' Report

8. Remuneration Objectives, Policy and Practice (cont.)

Staff Incentive Share Plans

There are two general employee incentive share plans that were approved at the 2012 and 2015 Annual General Meetings to assist the Company to recruit, reward, retain and to generate increased engagement with its employees that are not part of the Executive LTIP. Both have been implemented and are listed below:

1. The CSG Tax Exempt Share Plan (Australia) ("AUS Tax Exempt Plan") in which eligible employees were offered up to A\$1,000 worth of ordinary shares in the Company on a tax free basis. These shares are held in a trust and are subject to a three year holding lock. No consideration is payable by participants for the grant of ordinary shares and there are no additional vesting conditions or forfeiture conditions in respect of the plan other than that required by law.
2. The CSG Tax Exempt Share Plan (New Zealand) ("NZ Tax Exempt Plan") in which eligible employees were offered up to A\$1,000 worth of ordinary shares in the company on a tax free basis. These shares are held in a trust and are subject to a three year holding lock. Nominal consideration (\$NZD1) was payable for the grant of ordinary shares and there are no additional vesting conditions or forfeiture conditions in respect of the plan other than that required by law.

In November 2016 the Board approved a further issue relating to FY2016 performance under the above general employee incentive share plans in accordance with each plan's rules. Reflecting the Company's performance in FY2017, there will be no issue of shares under these plans in FY2018.

9. Non-Executive Director Remuneration

The available remuneration pool for Non-Executive Directors, as approved at the 2014 Annual General Meeting, is \$600,000 (all inclusive). There is no intention to seek an increase at this year's Annual General Meeting.

The table below summarises the rates for the various roles. Key points to note are:

- the Chairman is paid an all-inclusive fee regardless of Committee positions;
- Board members are currently paid a base fee plus additional fees for each Committee Chair (see table below for fee structure); and
- Superannuation is paid as required on fees at the statutory rates (9.50% for the 2017 financial year).

Non-Executive Directors' remuneration fees effective from 1 July 2016 onwards are set out below:

2016/17	Board	Audit and Risk Management Committee	Nomination & Remuneration Committee
Chairman	140,000	19,163	19,163
Member	71,175	-	-

Directors' Report

10. Link to 2017 Financial Year Performance

10.1 COMPANY PERFORMANCE

The table below provides summary information on the Company's earnings and shareholder wealth for the current year and prior years:

	2017	2016	2015	2014	2013
Revenue (\$m)	244.5	246.6	224.3	199.3	184.6
Net profit/(loss) after tax (\$m)	(43.7)	18.2	14.3	12.1	8.7
Share price (\$)	0.75	1.49	1.60	1.03	0.94
Change in share price	(0.74)	(0.11)	0.57	0.09	0.15
Dividends paid (\$)	0.05	0.09	0.09	0.04	0.29
Total Shareholder Return (TSR)	(46%)	(1%)	64%	14%	56%
Earnings per Share (cents)	(13.7)	5.8	5.1	4.3	3.1

10.2 STIP OUTCOMES

Under the Remuneration Policy achievement of the Corporate financial KPI's is a gate that must be achieved before performance against Divisional KPI components can be considered for the STIP. This requirement was not met and consequently no STIP payments were made in FY2017.

10.3 LTIP OUTCOMES

The movement in Performance Rights under previous LTIP during the year ended 30 June 2017 is summarised below:

LTIP	Opening	Issued	Lapsed	Exercised	Closing
Issue 5	1,333,333	-	-	(1,333,333)	-
Issue 7	2,737,996	-	(133,333)	(2,604,663)	-
Issue 8	40,000	-	-	(40,000)	-
Issue 9	-	4,189,000	-	-	4,189,000
Total	4,111,329	4,189,000	(133,333)	(3,977,996)	4,189,000

11. Remuneration Tables and Disclosures

11.1 DIRECTORS' REMUNERATION

	Cash Salary and Fees ⁽ⁱ⁾	STIP and Other Fees	Termination Payments	Post-Employment Super	LTIP	Total	Performance Related %
2017							
<i>Non-Executive Directors</i>							
Thomas Cowan	90,338	-	-	-	-	90,338	-
Mark Phillips ⁽ⁱ⁾	48,750	-	-	4,631	-	53,381	-
Stephen Anstice	127,853	-	-	12,146	-	139,999	-
Robin Low	82,500	-	-	7,838	-	90,338	-
Total	349,441	-	-	24,615	-	374,056	-
<i>Executive Directors</i>							
Julie-Ann Kerin	654,166	-	-	25,000	261,920	941,086	28%
Total	1,003,607	-	-	49,615	261,920	1,315,142	20%

(i) Resigned 16 March 2017.

(ii) Salary is inclusive of all entitlements.

Directors' Report

11. Remuneration Tables and Disclosures (cont.)

	Cash Salary and Fees	STIP and Other Fees	Termination Payments	Post- Employment Super	LTIP	Total	Performance Related %
2016							
<i>Non-Executive Directors</i>							
Thomas Cowan ⁽ⁱ⁾	121,377	-	-	-	-	121,377	-
Phillip Bullock ⁽ⁱⁱ⁾	32,098	-	-	3,049	-	35,147	-
Mark Phillips	65,000	-	-	6,175	-	71,175	-
Stephen Anstice ⁽ⁱⁱⁱ⁾	92,716	-	-	8,808	-	101,524	-
Robin Low	82,500	-	-	7,838	-	90,338	-
Total	393,691	-	-	25,870	-	419,561	-
<i>Executive Directors</i>							
Julie-Ann Kerin	615,545	-	-	25,000	358,772	999,317	36%
Total	1,009,236	-	-	50,870	358,772	1,418,878	25%

(i) Resigned as Chairman on 15 February 2016. Remained Non-Executive Director.

(ii) Resigned 20 November 2015.

(iii) Appointed as Chairman on 15 February 2016.

11.2 GROUP EXECUTIVE REMUNERATION

	Cash Salary and Fees	STIP	Termination Payments	Post- Employment Super	LTIP	Total	Performance Related %
2017							
Neil Lynch ⁽ⁱ⁾	322,740	-	187,508	14,843	48,822	573,913	9%
Mark Thomas	336,539	-	-	19,616	-	356,155	-
Warwick Beban	301,834	-	-	-	24,411	326,245	7%
Declan Ramsay	396,880	-	-	19,747	32,035	448,662	7%
Stephen Birrell	394,308	-	-	19,747	48,822	462,877	11%
Gary Brown ⁽ⁱⁱ⁾	129,720	-	-	8,193	-	137,913	-
Total	1,882,021	-	187,508	82,146	154,090	2,305,765	7%

(i) Resigned 17 March 2017.

(ii) Appointed 27 February 2017.

	Cash Salary and Fees	STIP	Termination Payments	Post- Employment Super	LTIP	Total	Performance Related %
2016							
Neil Lynch	367,435	-	-	19,177	138,825	525,437	26%
Mark Thomas ⁽ⁱ⁾	245,769	-	-	16,454	-	262,223	0%
Warwick Beban	276,158	-	-	-	69,412	345,570	20%
Declan Ramsay	400,000	-	-	19,177	120,853	540,030	22%
Stephen Birrell	400,000	-	-	19,177	138,825	558,002	25%
Shailendra Singh ⁽ⁱⁱ⁾	51,054	-	97,514	2,820	-	151,388	0%
Total	1,740,416	-	97,514	76,805	467,915	2,382,650	20%

(i) Commenced employment 7 September 2015.

(ii) Ceased employment 12 August 2015.

Directors' Report

11. Remuneration Tables and Disclosures (cont.)

11.3 LTIP ISSUE 5, 6, 7, 8 & 9 – OPTIONS & PERFORMANCE RIGHTS

All Performance Rights refer to rights over ordinary shares of CSG Limited, which are exercisable on a one-for-one basis under various plans. Performance Rights are provided at no cost to the recipients. Non-Executive Directors are not entitled to participate in the LTIP.

	Date Granted	Balance at the Beginning of Year	Granted in Year	Vested	Forfeited in Year	Balance at End of Year
2017						
Julie-Ann Kerin	28/06/2013	1,333,333	4,189,000	(1,333,333)	-	4,189,000
Neil Lynch ⁽ⁱ⁾	28/06/2013	533,333	-	(533,333)	-	-
Warwick Beban	28/06/2013	266,667	-	(266,667)	-	-
Declan Ramsay	28/06/2013 & 30/12/2014	306,667	-	(306,667)	-	-
Stephen Birrell	28/06/2013	533,333	-	(533,333)	-	-
		2,973,333	4,189,000	(2,973,333)	-	4,189,000

(i) Resigned 17 March 2017.

	Date Granted	Balance at the Beginning of Year	Granted in Year	Vested	Forfeited in Year	Balance at End of Year
2016						
Julie-Ann Kerin	28/06/2013	3,844,156	-	(2,510,823)	-	1,333,333
Neil Lynch	28/06/2013	1,295,238	-	(761,905)	-	533,333
Warwick Beban	28/06/2013	647,619	-	(380,952)	-	266,667
Declan Ramsay	28/06/2013 & 30/12/2014	744,762	-	(438,095)	-	306,667
Stephen Birrell	28/06/2013	1,295,238	-	(761,905)	-	533,333
Shailendra Singh ⁽ⁱ⁾	30/12/2014	433,000	-	-	(433,000)	-
		8,260,013	-	(4,853,680)	-	2,973,333

(i) Ceased employment 12 August 2015.

Directors' Report

11. Remuneration Tables and Disclosures (cont.)

	Fair Value per Right at Grant Date \$	Exercise Price per Right \$	% Vested in Year ^(a) %	% Lapsed in Year ^(a) %	Value of Rights Granted in Year ^(b) \$	Value of Rights Held in Year ^(b) \$	Value of Rights Vested in Year ^(c) \$	Value of Rights Lapsed in Year ^(c) \$	Financial Years in which Grant Vest	Expiry Date
2017										
Julie-Ann Kerin	0.4646	0.70	100%				933,333		2017	30/11/2017
	1.0100	-	-	-	21,154	-	-	-	2019	30/09/2018
	1.0100	-	-	-	63,463	-	-	-	2019	30/09/2018
	0.9700	-	-	-	60,950	-	-	-	2020	30/09/2019
	0.9700	-	-	-	60,950	-	-	-	2021	30/09/2020
	1.0900	-	-	-	22,830	-	-	-	2019	30/09/2018
	1.0900	-	-	-	68,490	-	-	-	2019	30/09/2018
	1.0300	-	-	-	64,720	-	-	-	2020	30/09/2019
	0.9700	-	-	-	60,950	-	-	-	2021	30/09/2020
	0.1900	-	-	-	19,898	-	-	-	2019	30/09/2018
	0.1800	-	-	-	56,552	-	-	-	2019	30/09/2018
	0.1400	-	-	-	43,985	-	-	-	2020	30/09/2019
	0.1000	-	-	-	31,418	-	-	-	2021	30/09/2020
	0.2100	-	-	-	21,992	-	-	-	2019	30/09/2018
	0.1900	-	-	-	59,693	-	-	-	2019	30/09/2018
	0.1500	-	-	-	47,126	-	-	-	2020	30/09/2019
	0.1000	-	-	-	31,418	-	-	-	2021	30/09/2020
Neil Lynch	0.4646	0.70	100%	-	-	-	373,333	-	2017	30/11/2017
Warwick Beban	0.4646	0.70	100%	-	-	-	186,667	-	2017	30/11/2017
Declan Ramsay	0.4646	0.70	100%	-	-	-	186,667	-	2017	30/11/2017
	0.8800	0.70	100%	-	-	-	28,000	-	2017	30/11/2017
Stephen Birrell	0.4646	0.70	100%	-	-	-	373,333	-	2017	30/11/2017

Details of the performance criteria attached to each of the Performance Rights are included in the LTIP discussion above and in Note 22 to the financial statements.

No Performance Rights have been granted since the end of the financial year.

(a) The percent forfeited and lapsed in the year represents the reduction from the maximum number of options available to vest due to the performance or conditions not being achieved.

(b) Fair value is independently determined utilising a Monte Carlo simulation model which allows for the incorporation of performance hurdles that must be met before the performance right vests. The valuation is undertaken in a risk-neutral framework whilst allowing for variables such as volatility, dividends, the risk free rate, the withdrawal rate and performance hurdles along with constants such as the strike price, term and vesting periods.

(c) The value of options that lapsed or were forfeited during the year represents the benefit foregone and was calculated as the number of options at the date the options lapsed or were forfeited, multiplied by the fair value of the options calculated independently at the date the options lapsed or were forfeited but assuming the vesting conditions were satisfied.

Directors' Report

12. Service Agreements

	Expiry	Termination Notice	Termination Payment
<i>Executive Director</i>			
Julie-Ann Kerin	N/A	6 Months	6 Months
<i>Group Executive</i>			
Gary Brown	N/A	6 Months	6 Months
Warwick Beban	N/A	3 Months	3 Months
Declan Ramsay	N/A	3 Months	3 Months
Stephen Birrell	N/A	3 Months	6 Months
Mark Thomas	N/A	3 Months	3 Months

13. Key Management Personnel's Interests

The KMP's relevant interests in shares of the Company or options over shares in the Company are detailed below.

	Opening Balance	Purchases	Received on Exercise of Performance Rights	Sales	Ceased as Director	Ordinary Shares of CSG
Thomas Cowan ⁽ⁱ⁾	19,924,622	5,065,957	-	-	-	24,990,579
Stephen Anstice	150,563	140,000	-	-	-	290,563
Robin Low	67,575	54,800	-	-	-	122,375
Julie-Ann Kerin	1,000,000	-	1,333,333	-	-	2,333,333
Mark Phillips	75,563	10,000	-	-	(85,563)	-
Neil Lynch ⁽ⁱⁱ⁾	295,238	-	533,333	-	(828,571)	-
Mark Thomas	-	-	-	-	-	-
Warwick Beban	347,619	-	266,667	(300,000)	-	314,286
Declan Ramsay	-	-	306,667	-	-	306,667
Stephen Birrell	415,238	-	533,333	-	-	948,571
Gary Brown ⁽ⁱⁱⁱ⁾	-	-	-	-	-	-
	22,276,418	5,270,757	2,973,333	(300,000)	(914,134)	29,306,374

(i) Thomas Cowan is a partner in TDM Asset Management (TDM). TDM has a direct interest in the shares held by its clients by virtue of the control it exercises in relation to the shares under its investment management arrangements with clients. TDM and its clients hold in aggregate 24,990,579 shares at 30 June 2017.

(ii) Neil Lynch resigned 17 March 2017.

(iii) Gary Brown appointed 27 February 2017.

Directors' Report

14. Transactions with Key Management Personnel

During the financial year, the companies in the Group entered into agreements in respect of the purchase of print and technology products and services on normal commercial terms and conditions with related entities of the Directors.

15. Environmental Regulation

The CSG Group's operations are not subject to any significant environmental Commonwealth or State regulations or laws.

16. Proceedings on Behalf of the Consolidated Entity

No person has applied for leave of Court to bring proceedings on behalf of the consolidated entity.

17. State of Affairs

There have been no significant changes in the CSG Group's state of affairs during the financial year.

18. Dividends

The dividends paid or declared since the start of the year are as follows:

	Consolidated Entity	
	2017 \$'000	2016 \$'000
Current year interim	-	12,763
Prior year final (Unfranked dividends (5 cents per share paid 7 September 2016))	15,904	14,238
Total Dividends	15,904	27,001

19. Directors' Interests in Contracts

Directors' interests in contracts are disclosed in Note 27 to the financial statements.

20. Indemnification and Insurance of Directors and Officers

During the financial year, the consolidated entity has paid a premium amounting to \$261,202 insuring all the directors and the officers against judgments, settlements, investigative costs, defence costs and costs to appear at inquiries or investigations.

21. Non-Audit Services

Non-audit services are approved by resolution of the Audit and Risk Management Committee and approval is provided in writing to the Board. Non-audit services provided by the auditors of the Group during the year, KPMG, are detailed below. The Directors are satisfied that the provision of the non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

	2017 \$	2016 \$
Other Services		
Other assurance, taxation and due diligence services	160,502	431,615

22. Auditor's Independence Declaration

The lead auditor's independence declaration in relation to the audit for the financial year is set out on page 48 of this report.

23. Events Subsequent to Reporting Date

No events subsequent to reporting date were recorded.

24. Likely Developments

The CSG Group will continue to pursue its policy of increasing the profitability and market share of its business units during the next financial year. Refer to the Operational and Financial Review for further details.

25. Rounding of Amounts

The CSG Group is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that Class Order, amounts in the consolidated financial statements and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the Directors.



Julie-Ann Kerin
Director

Sydney
18 August 2017

Auditor's Independence Declaration



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of CSG Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of CSG Limited for the financial year ended 30 June 2017 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink that reads 'KPMG'.

KPMG

A handwritten signature in black ink that reads 'Scott Guse'.

Scott Guse
Partner

Brisbane
18 August 2017

Financial Statements

2016-2017



Consolidated Statement of Profit and Loss and Other Comprehensive Income

for the Year Ended 30 June 2017

		Consolidated entity	
	Note	2017 \$'000	2016 \$'000
Sales revenue	7	210,428	213,128
Finance lease interest income		27,047	25,801
Interest income		51	86
Other income	7	6,994	7,605
		244,520	246,620
Changes in inventories of finished goods	8	118,955	119,060
Finance lease interest expense		13,428	12,894
Marketing expenses		2,925	2,986
Occupancy expenses		7,144	6,160
Administration expenses		27,275	24,515
Employee benefits expenses		46,905	40,744
Share based transactions		1,879	2,189
Acquisition and integration related expenses		541	989
Other expenses	8	58,040	4,141
Depreciation and amortisation	8	7,100	6,088
Finance costs	8	2,410	1,609
		286,602	221,375
Profit/(loss) before income tax		(42,082)	25,245
Income tax expense	9	(1,633)	(7,083)
Profit/(loss) from continuing operations		(43,715)	18,162
Profit is attributable to:			
Members of the parent		(44,413)	17,452
Non-controlling interest		699	710
		(43,714)	18,162
Profit/(loss) after income tax expense		(43,714)	18,162
Items that may be reclassified subsequently to profit and loss:			
Exchange differences on translation of foreign operations, net of tax	23	(170)	3,285
Cash flow hedges:			
Reclassified to profit or loss, net of tax	23	(33)	247
Net gains/(losses) taken to equity, net of tax	23	1,820	(1,339)
Other comprehensive income for the year		1,617	2,193
Total comprehensive income for the year		(42,097)	20,355
Total profit and loss and other comprehensive income is attributable to:			
Members of the Parent		(42,796)	19,645
Non-controlling interest		699	710
		(42,097)	20,355
Earnings per share for profit from continuing operations attributable to equity holders of the parent entity:			
Basic earnings per share (cents)	29	(13.7)	5.8
Diluted earnings per share (cents)	29	(13.7)	5.7

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

as at 30 June 2017

		Consolidated entity	
	Note	2017 \$'000	2016 \$'000
Current Assets			
Cash and cash equivalents	11	20,338	14,455
Receivables	12	35,767	34,739
Lease receivables	12	96,513	82,295
Inventories	13	65,810	50,077
Other	14	10,386	7,928
TOTAL CURRENT ASSETS		228,814	189,494
Non-Current Assets			
Lease receivables	12	169,775	178,479
Property, plant and equipment	15	3,396	2,582
Intangible assets	16	175,851	222,977
TOTAL NON-CURRENT ASSETS		349,022	404,038
TOTAL ASSETS		577,836	593,532
Current Liabilities			
Payables	17	51,529	47,809
Deferred income		2,001	604
Deferred consideration		9,071	608
Short term borrowings	18	889	8,620
Current tax payable		2,207	111
Provisions	21	4,329	3,686
TOTAL CURRENT LIABILITIES		70,026	61,438
Non-Current Liabilities			
Provisions	21	313	645
Deferred consideration		3,515	9,383
Long term borrowings	18	42,117	-
Derivatives	20	1,721	4,655
Deferred Tax Liability	9	6,472	9,397
Debt associated with lease receivables	19	225,355	219,260
TOTAL NON-CURRENT LIABILITIES		279,493	243,340
TOTAL LIABILITIES		349,519	304,778
NET ASSETS		228,317	288,754
Equity			
Contributed equity	22	205,727	207,623
Reserves	23	6,982	5,905
Retained earnings	23	902	61,219
Equity attributable to owners of CSG Limited		213,611	274,747
Non-Controlling interest		14,706	14,007
TOTAL EQUITY		228,317	288,754

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

for the Year Ended 30 June 2017

	Contributed Equity	Reserves	Cashflow Hedge Reserve	Retained Earnings	Non- controlling Interest	Total Equity
Balance as at 1 July 2015	164,193	7,534	(2,047)	70,768	13,297	253,745
Profit for the year	-	-	-	17,452	710	18,162
Exchange differences on translation of foreign operations, net of tax	-	3,285	-	-	-	3,285
Cash flow hedges:						
Net gains/(losses) taken to equity	-	-	(1,339)	-	-	(1,339)
Net gains/(losses) taken to profit and loss	-	-	247	-	-	247
Total comprehensive income for the year	-	3,285	(1,092)	17,452	710	20,355
Transactions with owners in their capacity as owners:						
Equity settled transactions	44,202	(1,775)	-	-	-	42,427
Dividends paid	-	-	-	(27,001)	-	(27,001)
Capital raising costs net of deferred tax	(772)	-	-	-	-	(772)
Balance as at 30 June 2016	207,623	9,044	(3,139)	61,219	14,007	288,754
Balance as at 1 July 2016	207,623	9,044	(3,139)	61,219	14,007	288,754
Profit/(loss) for the year	-	-	-	(44,413)	699	(43,714)
Exchange differences on translation of foreign operations, net of tax	-	(170)	-	-	-	(170)
Cash flow hedges:						
Net gains/(losses) taken to equity	-	-	1,820	-	-	1,820
Net gains/(losses) taken to profit and loss	-	-	(33)	-	-	(33)
Total comprehensive income for the year	-	(170)	1,787	(44,413)	699	(42,099)
Transactions with owners in their capacity as owners:						
Equity settled transactions	(1,896)	(540)	-	-	-	(2,435)
Dividends paid	-	-	-	(15,904)	-	(15,904)
Capital raising costs net of deferred tax	-	-	-	-	-	-
Balance as at 30 June 2017	205,727	8,334	(1,352)	902	14,706	228,319

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

for the year ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
Cash flows from operating activities			
Receipts from customers		256,840	262,527
Payments to suppliers, employees and others		(248,140)	(241,457)
Movement in lease receivables		(5,398)	(48,586)
Interest income		50	86
Interest expense		(2,191)	(1,608)
Income tax paid		(3,989)	(3,407)
Net cash from/(used in) operating activities	24(a)	(2,828)	(32,445)
Cash flows from investing activities			
Payment for intangibles		(4,790)	(4,427)
Payments for property, plant and equipment		(1,752)	(507)
Payments for businesses		(3,636)	(16,971)
Net cash from/(used in) investing activities		(10,178)	(21,905)
Cash flows from financing activities			
Borrowings associated with lease receivables		5,371	32,041
Proceeds from borrowings		34,618	-
Repayment of borrowings		-	(1,400)
Proceeds from issue of share of share capital		-	39,127
Share buy-backs		(5,183)	-
Dividend distributions	10	(15,904)	(27,001)
Net cash flows provided by/(used in) financing activities		18,902	42,767
Net increase/(decrease) in cash held		5,896	(11,583)
Cash at the beginning of the financial year		14,455	24,754
Foreign exchange difference on cash holdings		(13)	1,284
Cash and cash equivalents at end of year	24(b)	20,338	14,455

The accompanying notes form part of these financial statements.

Notes to the Financial Statements 2016/2017

Notes to the Financial Statements

30 June 2017

Note 1: Reporting Entity

CSG Limited (the "Company") is a company limited by shares, incorporated and domiciled in Australia. The address of the Company's registered office is Level 1, 357 Collins Street, Melbourne, VIC, Australia, 3000. The consolidated financial statements of the Company as at and for the year ended 30 June 2017 comprise the Company and its controlled entities (together referred to as the "Group" and individually as "Group entities"). The Group is a for-profit entity and primarily involved in print and technology related sales and service and financing of office equipment.

Note 2: Basis of Preparation

STATEMENT OF COMPLIANCE

This financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. The consolidated financial statements of the Company also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The financial report was authorised for issue by the Directors on 18 August 2017.

BASIS OF MEASUREMENT

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain material items in the statement of financial position and as described in the accounting policies.

FUNCTIONAL AND PRESENTATION CURRENCY

The financial report is presented in Australian dollars which is the Company's functional currency. The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that Class Order, amounts in the financial statements have been rounded off to the nearest thousand dollars, or in certain cases, to the nearest dollar.

USE OF ESTIMATES AND JUDGMENTS

The preparation of the financial report in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Estimates and assumptions based on future events have a significant inherent risk, and where future events are not as anticipated there could be a material impact on the carrying amounts of the assets and liabilities discussed below:

(A) ASSESSING IMPAIRMENT OF GOODWILL

Goodwill is allocated to cash generating units ("CGUs") according to applicable business operations. The recoverable amount of a CGU is based on value-in-use calculations. These calculations are based on projected financial forecasts and projected cash flows approved by management covering a period not exceeding five years. Management's determination of cash flow projections are based on past performance and its expectation for the future. The present value of future cash flows has been calculated using a post-tax discount rates listed in Note 16 to determine value-in-use.

(B) INCOME TAXES

Income tax benefits are based on the assumption that no adverse change will occur in the income tax legislation and the anticipation that the company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(C) EMPLOYMENT BENEFITS

Calculation of long term employment benefits requires estimation of the retention of staff, future remuneration levels and timing of the settlement of the benefits. The estimates are based on historical trends.

(D) SHARE-BASED PAYMENTS

Calculation of shared based payments requires estimation of the timing of the exercise of the underlying instrument. The estimates are based on historical trends.

(E) INVENTORY – CONSUMABLES AT CUSTOMER PREMISES

Inventory balances include consumables owned by the Group but located at customer premises. The value of consumables recorded as inventory is based on management's estimate resultant from information held in customer servicing systems and a sample of customer holdings.

(F) INVENTORY – OBSOLESCENCE

Inventory balances relate to items subject to technological obsolescence and usage levels. Obsolete and slow-moving inventory is estimated based on the age of the inventory items, historical usage and likely future usage, and likely recoverable values.

Notes to the Financial Statements

30 June 2017

Note 3: Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in this financial report, and have been applied consistently by Group entities.

(A) BASIS OF CONSOLIDATION

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies, which may exist.

(iii) Non-controlling interests

Non-controlling interests in the results of subsidiaries are shown separately in the consolidated statement of profit and loss and other comprehensive income and consolidated statement of financial position respectively.

(iv) Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) Transactions eliminated on consolidation

All intercompany balances and transactions, including any unrealised profits or losses have been eliminated on consolidation.

(B) FOREIGN CURRENCY

(i) Foreign currency transactions

Transactions in foreign currencies of entities within the consolidated group are translated into functional currency at the rate of exchange ruling at the date of the transaction. Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of the financial year. All resulting exchange differences arising on settlement or restatement are recognised as revenues and expenses for the financial year.

(ii) Foreign operations

Entities that have a functional currency different to the presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at actual exchange rates or average exchange rates for the period, where appropriate; and
- all resulting exchange differences are recognised as a separate component of equity.

Notes to the Financial Statements

30 June 2017

Note 3: Summary of Significant Accounting Policies (cont.)

(C) FINANCIAL INSTRUMENTS

(i) Non-derivative financial assets

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flow from the asset expires, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position only when the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets; financial assets at fair value through profit or loss; and loans and receivables.

Financial assets at fair value through profit or loss

A financial asset is classified as at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Attributable transaction costs are recognised in profit or loss when incurred. Financial assets at their fair value through profit or loss are remeasured at fair value, and changes therein are recognised in profit or loss.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted on an active market. Loans and receivables are measured at fair value at inception, net of transaction costs and subsequently at amortised cost using the effective interest rate method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents and trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks, including restricted cash and a group multi-function bank overdraft facility.

(ii) Non-derivative financial liabilities

Financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

Other financial liabilities comprise trade payables, other creditors and loans from third parties including intercompany balances and loans from or other amounts due to Director related entities.

(iii) Derivative financial instruments, including hedge accounting

The Group uses derivative financial instruments to hedge its exposure to interest rate risks arising from financing activities and foreign exchange risk in respect of inventory purchases. In accordance with treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that are not designated hedges are accounted for as held for trading instruments.

On initial designation of the derivative as the hedging instrument, the Group formally documents the relationship between the hedging instrument and the hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to hedged risk, and whether the actual results of each hedge are within a range of 80 – 125%. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported profit or loss.

Derivative financial instruments are recognised initially at fair value and transaction costs are expensed immediately. Subsequent to initial recognition, derivative financial instruments are stated at fair value and subject to the nature of the hedging instrument the gain or loss on re-measurement to fair value is recognised as described below.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in equity. The ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

When the hedged item is a non-financial asset, the amount recognised in equity is included in the carrying amount of the asset when the asset is recognised. In other cases, the amount accumulated in equity is reclassified to profit or loss in the same period that the hedged item affects profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, the hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified to profit or loss.

Notes to the Financial Statements

30 June 2017

Note 3: Summary of Significant Accounting Policies (cont.)

(D) REVENUE RECOGNITION

Sale of Goods

Revenue is measured at the fair value of the consideration received or receivable.

Revenue from the sale of goods and disposal of other assets is recognised when significant risks and rewards of ownership of the goods have passed, i.e. "legal title" has passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be reliably measured.

Rendering of Services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The revenue recognised from rendering of services combines:

- invoicing from the provision of the Group's services inclusive of the amounts due and payable under the terms of the long term service contracts; and
- revenue not yet invoiced but earned on work completed in servicing long term service contracts which, while owing to the Group under the terms of those contracts, will not become payable until future years.

The long term service contracts specifically detail both services to be performed and the invoicing components for each year of the contracts. The Group's contract administration system enables the stage of completion of each contract to be reliably determined.

Revenue arrangements with multiple deliverables

Where two or more revenue-generating activities or deliverables are sold under a single arrangement, each deliverable that is considered to be a separate unit of accounting is accounted for separately. When the deliverables in a multiple element arrangement are not considered to be separate units of accounting, the arrangement is accounted for as a single unit.

A separate unit of accounting exists where the deliverable has value to the customer on a stand-alone basis and there is objective and reliable evidence of the fair values.

Interest income

Interest on loans and receivables from finance leases is recognised on an effective interest rate basis. Minimum lease payments received under finance leases are apportioned between the finance income and the reduction of the outstanding asset. The finance income is allocated to each period during the lease term so as to produce a constant period rate of interest on the remaining balance of the asset. An accrual basis is used to record interest income.

Operating lease revenue

Rental income from operating leases of equipment is recognised on an accrual basis with income recognised on a straight line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

Other income

Dividend revenue is recognised when the right to receive a dividend has been established.

(E) RECEIVABLES

All trade receivables are recognised initially at fair value, and subsequently at amortised cost, less impairment.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. An impairment loss is raised when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is not material. The amount of the impairment is recognised in the statement of comprehensive income.

(F) INVENTORIES

Inventories are valued on the weighted average cost basis at the lower of cost and net realisable value.

Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion, including cost of sales.

(G) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is recorded at cost less accumulated depreciation and accumulated impairment charges. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of profit and loss and other comprehensive income.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Where the Group leases assets as a lessor on an operating lease, the Group retains substantially all the risks and rewards of ownership. The assets are stated at historical cost less accumulated depreciation and impairment losses (where applicable).

Depreciation of property, plant and equipment is calculated on a straight line and diminishing value basis to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives to the Group.

Notes to the Financial Statements

30 June 2017

Note 3: Summary of Significant Accounting Policies (cont.)

Rates used in the calculation of depreciation are as follows:

Assets	Rate	Method
Leasehold Improvements	2.5% - 33%	Diminishing value and straight line
Plant and Equipment	2.5% - 40%	Diminishing value and straight line
Motor Vehicles	13% - 19%	Diminishing value
Office Computer Equipment	10% - 50%	Diminishing value and straight line
Furniture and Fittings	5% - 20%	Diminishing value and straight line
Leased Plant and equipment	20%	Straight Line

(H) INTANGIBLE ASSETS

Goodwill

Goodwill represents the excess of the cost of the acquisition over the fair value of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill acquired in a business combination is allocated into the specific components acquired as part of the business combination.

Licenses and other Intangible Assets

Licenses and other intangible assets have a finite useful life and are recorded at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of the licenses over their estimated useful life. Other intangible assets have been assigned finite lives between 3-10 years. Software developed for resale is amortised over five years. Customer contracts/relationships acquired in a business combination have been assigned a finite life of between 5 and 14 years and are amortised on a straight line basis over this period.

(I) IMPAIRMENT

(i) Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that the loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised costs is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and indefinite life intangible assets are tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to the present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(iii) Trade and other Payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year, which are unpaid.

Notes to the Financial Statements

30 June 2017

Note 3: Summary of Significant Accounting Policies (cont.)

(J) BORROWINGS

Borrowings are initially recognised at fair value. Borrowings are subsequently measured at amortised cost. Any differences between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not incremental costs relating to the actual drawdown of the facility, are recognised against the borrowings and amortised on a straight-line basis over the term of the facility.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs are recognised as expenses in the period in which they are incurred.

(K) EMPLOYEE BENEFITS

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date.

Share-based Payments

The consolidated entity operates an employee share rights plan. The total amount to be expensed over the vesting period is determined by reference to the fair value of the rights at grant date. The fair value of rights at grant date is determined using the Monte Carlo pricing model, and is recognised as an employee expense over the period during which the employees become entitled to the right.

(L) PROVISIONS

A provision is recognised when a legal or constructive obligation exists as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be measured reliably. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

(i) Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

(ii) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with the contract.

(M) LEASES

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Finance leases

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Leased assets are depreciated over the shorter of the estimated useful life of the assets and the lease term.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Operating lease

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(N) FINANCE INCOME AND FINANCE COSTS

Finance income comprises interest income on funds invested, dividend income, fair value gains on financial assets at fair value through profit or loss, gains on the re-measurement to fair value of any pre-existing interest in an acquiree, gains on hedging instruments that are recognised in profit or loss and reclassifications of amounts previously recognised in other comprehensive income. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and contingent consideration, fair value losses on financial assets at fair value through profit or loss, impairment losses recognised on financial assets (other than trade receivables), losses on hedging instruments that are recognised in profit or loss and reclassifications of amounts previously recognised in other comprehensive income.

Borrowing costs that are not directly attributable to the acquisition of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis in other income in Note 7 depending on whether foreign currency movements are in a net gain or net loss position.

Notes to the Financial Statements

30 June 2017

Note 3: Summary of Significant Accounting Policies (cont.)

(O) INCOME TAX

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current income tax expense or revenue is the tax payable on the current year's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

A balance sheet approach is adopted under which deferred tax assets and liabilities are recognised for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred tax asset or liability is recognised in relation to temporary differences arising from the initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only when it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Additional income tax expenses that arise from the distribution of cash dividends are recognised at the same time that the liability to pay the related dividend is recognised. The Group does not distribute non-cash assets as dividends to its shareholders.

Tax consolidation

CSG Limited and its Australian subsidiaries have formed an income tax consolidated group under the tax consolidation legislation on 1 July 2007. The parent entity is responsible for recognising the current

tax liabilities and deferred tax assets arising in respect of tax losses, for the tax consolidated group. The tax consolidated group has also entered a tax funding agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

(P) RESEARCH & DEVELOPMENT

Research expenditure is recognised as an expense as incurred. Concessional tax benefits receivable in respect of eligible expenditure are recognised as income. Income is recognised with respect to concessional benefits upon confirmation and registration of eligible projects with evaluation and registration of eligible projects typically completed in the following financial year.

Costs incurred on development projects are recognised as intangible assets when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its costs can be measured reliably.

(Q) DISCONTINUED OPERATIONS

Classification as a discontinued operation occurs upon the disposal or when the operation meets the criteria to be classified as held for sale or distribution, if earlier.

(R) SEGMENT REPORTING

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities.

Note 4: New accounting standards and interpretations

(A) NEW STANDARDS ADOPTED

There was no material impact on the financial report as a result of the adoption of new or amended accounting standards and interpretations effective for annual reporting periods beginning on or after 1 July 2016.

(B) NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

CSG have identified the following new standards which have been issued but not yet adopted by the Group:

AASB 9 Financial Instruments

AASB 9 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces further disclosure and presentation requirements and a new impairment model. When adopted, this could change the classification and measurement of financial assets and financial liabilities. The new hedging rules align hedge accounting more closely with the Group's risk management practices. As a general rule it will be easier to apply hedge accounting going forward. Changes in own credit risk in respect of liabilities designated at fair value through profit and loss must now be presented in other comprehensive income.

It is not expected that the application of this standard will have a material impact on any of the amounts recognised in the financial statements but will require disclosure of additional information.

Notes to the Financial Statements

30 June 2017

Note 4: New accounting standards and interpretations (cont.)

AASB 15 Revenue from Contracts with Customers

AASB 15 is based on the principle that revenue is recognised when control of a good or service is transferred to a customer through promises within contracts. The amount of revenue recognised should reflect the consideration to which the entity expects to be entitled in exchange for those goods or services at either a point in time or over time.

The Group is evaluating the impact of the incoming standard. While analysis is ongoing, it is anticipated an element of revenue currently recognised upfront, will be reallocated over the life of a given contract.

AASB 16 Leases

AASB 16 will change the way lessees account for leases by eliminating the current dual accounting model which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there will be a single, on-balance sheet accounting model that is similar to the current finance lease accounting. This new treatment will result in both a depreciation and interest charge in the Statement of Comprehensive Income. In contrast, lessor accounting will remain similar to current practice. The Group is evaluating the impact of the standard.

Note 5: Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities.

Fair value hierarchy

In valuing financial instruments, the consolidated entity uses the following fair value measurement hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. There are no material Level 3 financial instruments.

The fair value of financial assets and financial liabilities, other than the fair value of derivatives, approximates their carrying amounts as disclosed in the Statement of Financial Position and Notes to the Financial Statements.

The fair values of the Group's derivative financial instruments, being interest rate swaps and forward foreign exchange contracts, are categorised as Level 2 in the fair value hierarchy (2016 Level 2). The fair values are based on the market comparison technique, using broker or counterparty quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments. There are no significant unobservable inputs used in the valuations.

Fair value measurement

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Forward exchange contracts and interest rate swaps

The fair value of forward exchange contracts is based on their quoted price, if available. If a quoted price is not available, then the fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a credit-adjusted risk-free interest rate (based on government bonds).

The fair value of interest rate swaps is based on broker quotes.

These quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using the market interest rates for a similar instrument at the measurement date. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty when appropriate.

Other non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is referenced to the contract.

Share-based payment transactions

The fair value of the Performance Rights under the Long Term Incentive Plan are measured using combination of Black-Scholes and Monte Carlo sampling. The fair value of the employee share options currently under issue is measured using the Black-Scholes formula. Measurement inputs include the share price on the measurement date, the exercise price of the instrument, expected volatility (based on an evaluation of the historic volatility of the Company's share price, particularly over the historical period commensurate with the expected term), expected term of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds and the financial performance of the Group). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

Contingent consideration

The fair value of contingent consideration is calculated using the income approach based on the expected payment amounts and their associated probabilities. When appropriate, it is discounted to present value.

Notes to the Financial Statements

30 June 2017

Note 6: Financial risk management

The major financial instruments entered into by the Group comprise short term trade receivables and payables, loans and receivables, short and long-term borrowings. The Group does not have any significant financial risks in respect of trade receivables and payables. The main area of financial risk arises in respect of interest rate risk on long-term borrowings. Certain aspects of financial risk management are considered further as detailed below.

The Group is exposed to a variety of financial risks comprising:

- interest rate risk;
- credit risk;
- liquidity risk;
- foreign exchange risk; and
- fair values.

The Board of Directors has overview for identifying and managing operational and financial risks.

(A) INTEREST RATE RISK

Corporate debt facility

As at 30 June 2017, the Senior Debt Facility Agreement with the Commonwealth Bank of Australia ("CBA") has a limit of \$60m. The maturity date of this facility is 10 August 2019 (refer Note 25). This Facility is primarily to be used for working capital and general corporate purposes but also provides for other sub-facilities including bank bills, business loans, overdraft, equipment finance and contingent liabilities. The multi-function facility includes an amount of \$1.5m in relation to various guarantees and security deposits provided by the bank on behalf of the Company. Interest on the Facility is charged at a floating rate plus a margin.

Lease financing facilities – New Zealand

The CSG Finance NZ Trust securitisation funding facility limit under the Westpac facility is currently NZ\$115m. The availability period for writing new business is until 15 April 2018, with a final maturity date of 15 April 2020. It has been agreed with Westpac for the facility to be extended a further 12 months with a reduction in the funding limit from NZ\$115m to NZ\$110m on 01 January 2018. Interest on the CSG Finance NZ Trust securitisation funding facility is charged at a floating rate plus a margin, and re-prices on a monthly basis. As the finance lease receivables are predominantly fixed rate in nature, the Group enters into interest rate swaps to fix these floating rate exposures.

Lease financing facilities – Australia

On 27 April 2017, the Group completed a restructure with the introduction of a Mezzanine investor into the CSG Finance Australia Trust securitisation funding facility, previously only provided by Westpac. In conjunction with the refinancing, the funding limit under the Westpac facility was increased from \$120m to \$180m, the funding limit under the Class AB facility was introduced at \$30m and the availability period for writing new business was extended until 20 April 2019, with a final maturity date of 20 April 2021. Interest on the CSG Finance Australia Trust securitisation funding facility is charged at a floating rate plus a margin, and re-prices generally on a quarterly basis. As the finance lease receivables are predominantly fixed rate in nature, the Group enters into interest rate swaps to fix these floating rate exposures.

Financial instruments are subject to the risk that market values may change subsequent to their acquisition. In the case of interest rates, market changes will affect the cash flows of interest income and interest expense for the Company and Group. The management of the Group's exposure to interest rates is carried out through regular monitoring of the interest re-pricing profile for both assets and liabilities of the Group. In terms of the securitisation facilities interest rate swaps are taken out by the trust entities to hedge 100% of the debt drawn to fund future cash flow equivalent to the portfolio designated "securitised" leases.

The Group's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the balance date, are detailed in the table provided below.

Notes to the Financial Statements

30 June 2017

Note 6: Financial risk management (cont.)

	2017 \$'000		2016 \$'000	
	Impact on income statement	Impact on Equity	Impact on income statement	Impact on Equity
	Increase/ (decrease) on profit	Increase/ (decrease) on equity	Increase/ (decrease) on profit	Increase/ (decrease) on equity
Interest Rates:				
100 bps increase:				
Cash flow sensitivity:				
Impact on interest income on cash	198	198	218	218
Impact on interest expense on loans	(2,641)	(2,641)	(2,192)	(2,192)
Impact on cash flows from derivative	2,124	2,124	1,641	1,641
Fair value sensitivity:				
Impact on derivative fair value at balance date	3,383	3,162	3,492	3,492
Total Impact	3,064	2,843	3,159	3,159
Interest Rates:				
100 bps decrease:				
Cash flow sensitivity:				
Impact on interest income on cash	(198)	(198)	(218)	(218)
Impact on interest expense on loans	2,641	2,641	2,192	2,192
Impact on cash flows from derivative	(2,124)	(2,124)	(1,641)	(1,641)
Fair value sensitivity:				
Impact on derivative fair value at balance date	(3,383)	(3,162)	(3,492)	(3,492)
Total Impact	(3,064)	(2,843)	(3,159)	(3,159)

(B) CREDIT RISK EXPOSURES

Credit risk is the risk that a loss will be incurred if a counterparty to a transaction does not fulfil its financial obligations. Management is responsible for sanctioning large credit exposures to all customers arising from lending activities. Financial instruments that potentially subject the Group to concentrations of credit risk consist principally of cash and bank balances, finance lease receivables, trade receivables and prepayments.

The Group has a credit policy that is used to manage its exposure to credit risk. As part of this policy, limits on exposures have been set, lease agreements are subject to defined criteria, and leases are monitored on a regular basis. Maximum exposures are net of any recognised provisions. The maximum credit risk is the contract value of the leases. To control the level of credit risk taken, management evaluates each customer's credit risk on a case by case basis. Credit risk is mitigated by the large number of clients and relatively small size of individual credit exposures.

For finance and operating leases the collateral taken on the provision of a financial facility is by way of a registered security interest over the leased asset. In some cases, a personal guarantee is obtained. Loan and lease agreements provide that, if an event of default occurs, collateral will be repossessed and/or the personal guarantee invoked. The repossessed collateral is either held until overdue payments have been received or sold in the secondary market.

In addition, the Company has contingent liabilities relating to buy back guarantees on certain finance contracts for the lease of copiers and multi-function devices by customers. The Company undertakes a credit approval process to determine whether it is prepared to buy back the loan on default. When a circumstance arises where the Company is required to buy back the loan, the equipment financed becomes the property of the Company.

Notes to the Financial Statements

30 June 2017

Note 6: Financial risk management (cont.)

Concentrations of Credit Risk

The Group minimises concentrations of credit risk in relation to trade receivables by undertaking transactions with a large number of customers. The print and technology businesses have a broad range of clients across all sectors of the economy, and spread throughout all regions of Australia and New Zealand. The leasing business has a wide spread of clients across all economic sectors and regions of Australia and New Zealand. The Group does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the consolidated entity.

Impairment

At 30 June 2017, the ageing of the trade, lease and other receivables that were not impaired was as follows:

	2017 \$'000	2016 \$'000
Neither past due nor impaired	290,046	285,540
Past due 1 - 30 days	6,929	5,111
Past due not impaired 31 - 90 days	2,173	2,051
Past due not impaired 91+ days	2,908	2,811
	302,056	295,513

Management believes that the unimpaired amounts that are past due by more than 30 days are still collectible in full, based on historic payment behaviour and analysis of individual customer credit risk.

(C) LIQUIDITY RISK

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or other financial assets. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions. The level of expected cash inflows from trade and lease receivables are closely monitored against the predicted outflows arising from operations. The Group has access to various financing facilities to support its lease receivables financing activities, and to provide funding for working capital and general corporate purposes. Refer to Note 25 (c) for details on the unused banking facilities.

The securitisation financing facilities in both Australia and New Zealand require the Group to contribute to credit enhancement. At 30 June 2017, this comprised 7.2% of the net pool balance of securitised leases for the New Zealand facility (\$7.03m (NZ\$7.38m)) and 6.7% of the net pool balances of securitised leases for the Australian facility (\$9.24m).

(D) FOREIGN EXCHANGE RISK

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the New Zealand dollar and US dollar.

Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Company's subsidiary, Konica Minolta Business Solutions New Zealand Limited, settles purchases of equipment predominantly in US dollars. All committed purchases are fully hedged using forward contracts or option contracts to buy US\$ / sell NZ\$ to protect from exchange rate movements between the shipping date and settlement. Forecast highly probable but not yet committed purchases may also be hedged using forward contracts or option contracts. Foreign exchange hedge contracts generally have maturities of less than one year and are designated as cash flow hedges.

As at 30 June 2017, a total of US\$5.5m (2016: US\$12.9m) of forward cover was in place with an average NZ\$/US\$ rate of 0.7083 (2016: 0.6654). Also as at 30 June 2017, there was no forward cover in place (2016: a total of NZ\$7.8m of forward cover was in place at an average floor and cap of 0.90 – 0.9438).

Note 6: Financial risk management (cont.)

Financial Instruments	Floating Interest Rate						Fixed Interest Rate Maturing in:						Total Carrying Amount per Balance Sheet		Weighted Average Effective Interest Rate	
	1 year or less		1 - 5 years		1 year or less		1 - 5 years		Non-Interest Bearing		1 - 5 years		2017 \$'000	2016 \$'000	2017 %	2016 %
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000				
(i) Financial Assets																
Cash and Cash Equivalents	20,338	14,439	-	-	-	-	-	-	16	16	-	-	20,354	14,455	1.61%	2.27%
Trade Receivables	-	-	-	-	-	-	-	-	28,786	28,762	-	-	28,786	28,762	-	-
Finance Lease Receivables	-	-	-	-	96,513	82,295	169,776	178,479	-	-	-	-	266,288	260,774	9.98%	10.72%
Derivatives	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sundry Debtors	-	-	-	-	-	-	-	-	8,297	5,977	-	-	8,297	5,977	-	-
Total Financial Assets	20,338	14,439	-	-	96,513	82,295	169,776	178,479	37,099	34,755	323,726	309,968				
(ii) Financial Liabilities																
Trade Payables	-	-	-	-	-	-	-	-	24,263	20,019	-	-	24,263	20,019	-	-
Other Payables and deferred income	-	-	-	-	-	-	-	-	27,265	27,790	-	-	27,265	27,790	-	-
Debt Associated with Finance Leases	-	-	-	-	-	-	225,355	219,260	-	-	-	-	6,472	219,260	3.71%	3.81%
Derivatives - interest rate swaps	-	-	-	-	-	-	1,474	3,625	-	-	-	-	1,474	3,625	2.69%	3.06%
Derivatives - Foreign currency options	-	-	-	-	-	-	-	-	247	1,030	-	-	247	1,030	-	-
Current Tax Liability	-	-	-	-	-	-	-	-	2,207	111	-	-	2,207	111	-	-
Term Debt/Bills Payable	889	8,000	42,117	-	860	620	-	-	-	-	-	-	43,509	8,620	3.74%	3.64%
Total Financial Liabilities	889	8,000	42,117		860	620	226,829	222,885	53,982	48,950	105,437	280,455				

¹ Considered fixed due to interest rate swaps taken out to hedge floating interest rate movement

Notes to the Financial Statements

30 June 2017

Note 7: Revenue

	Consolidated entity	
	2017 \$'000	2016 \$'000
Revenues from continuing operations		
<i>Sales revenue</i>		
Revenue from sale of goods	106,641	110,551
Revenue from services	103,787	102,577
	210,428	213,128
Other income		
Sundry	6,622	7,591
Interest rate swap income	176	152
Gain/(loss) on foreign exchange	196	(138)
	6,994	7,605

Note 8: Profit from continuing operations

Profit from continuing operations before income tax has been determined after the following specific expenses:

	Consolidated entity	
	2017 \$'000	2016 \$'000
Changes in inventories of finished goods		
Cost of goods	59,047	57,288
Cost of sales - service	40,567	43,785
Cost of sales - service (employee benefits)	19,341	17,987
Total changes in inventories of finished goods	118,955	119,060
Other expenses		
Bad debts expense	2,804	898
Impairment of goodwill	55,000	-
Other	236	3,243
Total other expenses	58,040	4,141
Depreciation and amortisation		
Plant and equipment	1,356	1,005
Leased property, plant and equipment	-	15
Leasehold improvements	129	247
Amortisation of customer contracts/relationships	3,773	3,136
Amortisation of intangible assets	1,592	1,510
Amortisation of borrowing costs	250	175
Total depreciation and amortisation	7,100	6,088
Finance costs		
Interest	2,224	1,455
Bank fees	186	154
Total finance costs	2,410	1,609

Notes to the Financial Statements

30 June 2017

Note 9: Income tax

	Consolidated entity	
	2017 \$'000	2016 \$'000
(a) Components of tax expense		
Current tax expense in respect of the current year	4,362	3,539
Deferred tax expense recognised in the current year	(214)	3,693
Adjustments recognised in the current year in relation to the prior year ⁽ⁱ⁾	(2,515)	(149)
Total tax expense	1,633	7,083
(b) Prima facie tax payable		
The prima facie tax payable on profit before income tax is reconciled to the income tax expense as follows:		
Profit/(loss) before tax from continuing operations	(42,082)	25,245
Prima facie income tax payable on profit before income tax at 30% (2016: 30%)	(12,625)	7,573
Add tax effect of:		
- other non-allowable items	1,432	772
- impairment	16,500	-
- effect of different tax rates in other jurisdictions ⁽ⁱⁱ⁾	(176)	(217)
- share-based payments	(354)	658
- over provision for income tax in prior years ⁽ⁱ⁾	(2,515)	(149)
	14,887	1,064
Less tax effect of:		
- other non-assessable items	(252)	(1,097)
- research and development benefit	(377)	(457)
	(629)	(1,554)
Income tax expense attributable to profit	1,633	7,083

(i) Included within the prior year adjustment is a tax effected amount of \$2,908,000 due to a Private Binding Ruling issued by the Australian Taxation Office during FY17 in relation to the FY16 Long Term Incentive Plan.

(ii) The corporate tax rate in New Zealand is 28%.

	2017 \$'000	2016 \$'000
(c) Deferred tax		
Deferred tax relates to the following:		
<i>Deferred tax assets</i>		
The balance comprises:		
Inventories	997	1,029
Doubtful debts	781	451
Property, plant and equipment	281	375
Accrued expenses	1,088	1,435
Employee Entitlements	1,384	1,218
Other provisions	145	92
Research and development tax offsets	6,416	4,176
Tax losses carried forward	9,133	6,435
Share issue costs	205	270
Other	581	(62)
Total deferred tax assets	21,011	15,419

Notes to the Financial Statements

30 June 2017

Note 9: Income tax (cont.)

	Consolidated entity	
	2017 \$'000	2016 \$'000
Deferred tax liabilities		
The balance comprises:		
Accrued revenue	-	(1,099)
Intangibles	(4,373)	(3,898)
Property, plant and equipment	(3,254)	(2,489)
Operating leases	(19,629)	(16,908)
Other	(227)	(422)
Total deferred tax liabilities	(27,483)	(24,816)
Net deferred tax liabilities	(6,472)	(9,397)
 (d) Deferred income tax related to items charged or credited directly to equity		
Share issue costs	63	263
Derivatives	(299)	558
Total	(236)	821

Note 10: Dividends on ordinary shares

	Consolidated entity	
	2017 \$'000	2016 \$'000
(a) Dividends paid during the year		
<i>i. Current Year Interim</i>		
Unfranked dividends (2016: 4 cents per share)	-	12,763
<i>ii. Prior Year Final</i>		
Unfranked dividends (5 cents per share) (2016: 5 cents per share)	15,904	14,238
	15,904	27,001
 (b) Franking credit balance		
Balance of franking account at year end adjusted for franking credits arising from payment of provision for income tax and deducting franking credits to be used in payment of proposed dividends	1,730	1,140

Note 11: Cash and cash equivalents

	Consolidated entity	
	2017 \$'000	2016 \$'000
Cash at bank	11,944	7,940
Restricted cash ⁽ⁱ⁾	8,378	6,499
Cash on hand	16	16
	20,338	14,455

(i) Restricted cash relates to cash the consolidated entity is required to have on hand under various financing arrangements - refer note 6.

Notes to the Financial Statements

30 June 2017

Note 12: Receivables

	Consolidated entity	
	2017 \$'000	2016 \$'000
Trade receivables	28,786	29,192
Impairment	(1,316)	(430)
Sundry debtors	8,297	5,977
	35,767	34,739
<i>Finance lease receivables</i>		
Gross receivable	309,885	308,246
Less: Unearned finance income	(43,597)	(47,472)
	266,288	260,774
<i>Represented by:</i>		
Current net receivable	96,513	82,295
Non-current net receivable	169,775	178,479
	266,288	260,774

Note 13: Inventories

	Consolidated entity	
	2017 \$'000	2016 \$'000
Finished goods	24,657	19,897
Consumables	14,188	9,958
Toner in field	26,965	20,222
	65,810	50,077

Note 14: Other current assets

	Consolidated entity	
	2017 \$'000	2016 \$'000
Prepayments	4,251	3,872
Other	6,135	4,056
	10,386	7,928

Notes to the Financial Statements

30 June 2017

Note 15: Property, plant and equipment

	Leasehold Improve- ments \$'000	Plant & Equipment \$'000	Furniture & Fittings \$'000	Office Computer Equipment \$'000	Leased Plant & Equipment \$'000	Total \$'000
At 1 July 2015						
Cost	3,102	791	3,532	8,524	642	16,591
Accumulated depreciation	(2,592)	(485)	(3,104)	(7,859)	(615)	(14,655)
Net book amount	510	306	428	665	27	1,936
Year ended 30 June 2016						
Opening net book amount	510	306	428	665	27	1,936
Acquisitions through business combinations	196	700	33	439	-	1,368
Foreign exchange impact	16	(22)	53	36	(12)	71
Additions	38	119	19	331	-	507
Disposals	(9)	(24)	-	-	-	(33)
Depreciation charge	(247)	(211)	(199)	(595)	(15)	(1,267)
Closing net book amount	504	868	334	876	-	2,582
At 30 June 2016						
Cost	3,383	2,530	3,890	10,128	640	20,571
Accumulated depreciation	(2,879)	(1,662)	(3,556)	(9,252)	(640)	(17,989)
Net book amount	504	868	334	876	-	2,582
Year ended 30 June 2017						
Opening net book amount	504	868	334	876	-	2,582
Acquisitions through business combinations	21	17	122	386	2	548
Foreign exchange impact	(6)	210	(12)	(80)	-	112
Additions	634	196	498	424	-	1,752
Disposals	-	(110)	(1)	(2)	-	(113)
Depreciation charge	(129)	(255)	(345)	(756)	-	(1,485)
Closing net book amount	1,024	926	596	848	2	3,396
At 30 June 2017						
Cost	4,031	2,374	4,476	11,130	640	22,651
Accumulated depreciation	(3,007)	(1,448)	(3,880)	(10,282)	(638)	(19,255)
Net book amount	1,024	926	596	848	2	3,396

Notes to the Financial Statements

30 June 2017

Note 16: Intangible assets

	Goodwill \$'000	Customer Contracts/ Relation- ships \$'000	Licenses and Other Intangibles \$'000	Total \$'000
Year ended 30 June 2016				
Opening net book amount	164,317	19,727	9,614	193,658
Acquisitions through business combinations	14,907	12,445	1,714	29,066
Acquisitions	-	-	4,427	4,427
Foreign exchange impact	-	374	98	472
Amortisation for the year	-	(3,136)	(1,510)	(4,646)
Closing net book amount	179,224	29,410	14,343	222,977
At 30 June 2016				
Cost	179,224	44,566	17,046	240,836
Accumulated amortisation	-	(15,156)	(2,703)	(17,859)
Net book amount	179,224	29,410	14,343	222,977
Year ended 30 June 2017				
Opening net book amount	179,224	29,410	14,343	222,977
Acquisitions through business combinations	5,268	3,217	9	8,494
Acquisitions	-	-	4,790	4,790
Impairment	(55,000)	-	-	(55,000)
Foreign exchange impact	-	(14)	(31)	(45)
Amortisation for the year	-	(3,773)	(1,592)	(5,365)
Closing net book amount	129,492	28,840	17,519	175,851
At 30 June 2017				
Cost	129,492	47,774	21,416	198,683
Accumulated amortisation	-	(18,934)	(3,898)	(22,832)
Net book amount	129,492	28,840	17,518	175,851

For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions. The aggregate carrying amounts of goodwill allocated to each CGU are as follows:

	2017 \$'000	2016 \$'000
Business Solutions Australia	25,660	62,770
Enterprise Solutions Australia	7,028	3,406
Business Solutions New Zealand	50,262	70,019
Finance Solutions Australia	8,637	8,637
Finance Solutions New Zealand	24,385	24,385
CodeBlue	13,520	10,007
	129,492	179,224

Notes to the Financial Statements

30 June 2017

Note 16: Intangible assets (cont.)

	Terminal EBITDA Growth Rate		Discount Rate	
	2017	2016	2017	2016
Business Solutions Australia	2.50%	2.50%	9.40%	9.00%
Enterprise Solutions Australia	2.50%	2.50%	9.40%	9.50%
Business Solutions New Zealand	2.50%	2.50%	10.45%	9.90%
Finance Solutions Australia	2.50%	2.50%	9.40%	9.00%
Finance Solutions New Zealand	2.50%	2.50%	9.50%	8.50%
CodeBlue	2.50%	2.50%	9.50%	9.90%

Goodwill testing incorporated a five year forecast including the board approved FY18 budgets and growth rates. Industry based growth rates are supported by external sources of 8.40% to 11.10% over the first five years were used. A rate of 2.50% was then used to calculate a terminal value. The discount rate applied was a post-tax measure based on the risk-free rate obtained from the yield on 10-year bonds issued by the government in the relevant market and in the same currency as the cash flows adjusted for a risk premium to reflect both the increased risk of investing in equities generally and the systemic risk of the specific CGU.

During the financial year, business conditions across the traditional print units proved challenging. Pressure on volumes and margins was evident and certain CGUs underperformed to forecasted expectations. The value in use methodology calculation resulted in a deficiency of headroom within the BSA and BSANZ CGUs. As a result, management have reduced the goodwill held within these CGUs by \$34.3m for BSA and \$20.7m for BSANZ (totalling \$55.0m).

Following the impairment loss recognised in the BSA and BSNZ CGU, the recoverable amount was equal to the carrying amount. Therefore, any adverse movement in a key assumption would lead to further impairment.

Management has assessed the risk to the recoverable amount of the Finance Solutions New Zealand CGU. A discount rate increase of 60 basis points or a reduction in growth rate of 310 basis points would be required for the carrying amount to equal the recoverable amount.

Note 17: Payables

	Consolidated entity	
	2017 \$'000	2016 \$'000
Current		
Trade payables	24,263	20,019
Other payables	27,266	27,790
	51,529	47,809

Note 18: Borrowings

	Consolidated entity	
	2017 \$'000	2016 \$'000
Current		
<i>Secured</i>		
Loans and Borrowings	29	8,000
Other	860	620
	889	8,620
Non-Current		
<i>Secured</i>		
Loans and Borrowings	42,117	-
	42,117	-
Total Borrowings	43,006	8,620

Notes to the Financial Statements

30 June 2017

Note 19: Debt associated with lease receivables

	Consolidated entity	
	2017 \$'000	2016 \$'000
Non-Current		
Loans and borrowings	225,355	219,260
	225,355	219,260

Note 20: Derivative liabilities

	Consolidated entity	
	2017 \$'000	2016 \$'000
Non-Current		
Interest rate swaps	1,474	3,625
Foreign currency forward contracts	247	1,030
	1,721	4,655

Information about interest rate risk is detailed in Note 6.

Note 21: Provisions

	Consolidated entity	
	2017 \$'000	2016 \$'000
Current		
Employee benefits	4,244	3,586
Other	85	100
	4,329	3,686
Non-Current		
Employee benefits	313	560
Other	-	85
	313	645

Note 22: Contributed equity

During the 2017 financial year there were no additional options granted to employees or Directors.

(A) ISSUED AND PAID UP CAPITAL

	Consolidated entity	
	2017 \$'000	2016 \$'000
Ordinary shares fully paid	205,727	207,624
	205,727	207,624

The Company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Notes to the Financial Statements

30 June 2017

Note 22: Contributed equity (cont.)

(B) MOVEMENT IN SHARES ON ISSUE

	2017		2016	
	No. of shares	\$'000	No. of shares	\$'000
Beginning of the financial year	319,076,671	207,623	284,148,839	164,193
Share buy-backs	(4,074,588)	(5,179)	-	-
Issued shares	5,118,676	2,757	34,690,174	43,818
Tax exempt share plan	751,680	526	237,658	384
Capital raising costs net of deferred tax asset	-	-	-	(772)
Balance at the end of the year	320,872,439	205,727	319,076,671	207,623

(C) EMPLOYEE SHARE SCHEME

The Company, in accordance with its Executive Remuneration Framework, continued to offer employee participation in short-term and long-term incentive schemes as part of the remuneration packages for the employees of the companies.

(D) PERFORMANCE RIGHTS

Each performance right represents a right to receive one ordinary share subject to the satisfaction or waiver of the relevant vesting conditions. No consideration is payable by the participants for the grant of the Performance Rights and no consideration is to be paid on the exercise of the Performance Rights.

Performance Rights on issue at 30 June 2017:

Issued Date	Performance Hurdle Date	Opening 1 July 2016	Issued	Lapsed	Vested	Closing 30 June 2017
LTIP Issue 9	30-09-18	-	418,900	-	-	418,900
LTIP Issue 9	30-09-18	-	1,256,700	-	-	1,256,700
LTIP Issue 9	30-09-19	-	1,256,700	-	-	1,256,700
LTIP Issue 9	30-09-20	-	1,256,700	-	-	1,256,700
LTIP Issue 5 & 7	30-11-16	4,071,329	-	(133,333)	(3,937,996)	-
LTIP Issue 8	30-11-16	40,000	-	-	(40,000)	-
MAIP	01-07-17	1,555,637	-	-	-	1,555,637
Total		5,666,966	4,189,000	(133,333)	(3,977,996)	5,744,637

Performance Rights on issue at 30 June 2016:

Issued Date	Performance Hurdle Date	Opening 1 July 2015	Issued	Lapsed	Vested	Closing 30 June 2016
LTIP Issue 5 & 7	30-11-15	5,718,376	-	(117,333)	(5,601,043)	-
LTIP Issue 5 & 7	30-11-16	4,337,995	-	(266,666)	-	4,071,329
LTIP Issue 6	01-08-15	606,061	-	-	(606,061)	-
LTIP Issue 8	30-11-15	152,381	-	-	(152,381)	-
LTIP Issue 8	30-11-16	473,000	-	(433,000)	-	40,000
MAIP	01-07-17	1,780,731	-	(225,094)	-	1,555,637
Total		13,068,544	-	(1,042,093)	(6,359,485)	5,666,966

(E) ISSUE OF ORDINARY SHARES

In August 2015, the Company issued 21 million ordinary shares via an institutional placement at \$1.42 per share raising \$30 million. In September 2015, the Company issued 7.1 million ordinary shares via a Share Purchase Plan (SPP) raising approximately \$10.2m.

Notes to the Financial Statements

30 June 2017

Note 23: Reserves and retained earnings

		Consolidated entity	
	Notes	2017 \$'000	2016 \$'000
Share-based payment reserve	23(a)	2,090	2,630
Foreign currency translation reserve	23(b)	6,244	6,414
Cash flow hedge reserve	23(c)	(1,352)	(3,139)
Total reserves		6,982	5,905
Retained earnings	23(d)	902	61,219
(a) Share-based payment reserve			
<i>i. Nature and purpose of reserve</i>			
This reserve is used to record the value of equity benefit provided to employee and directors as part of their remuneration.			
<i>ii. Movements in reserve</i>			
Balance at beginning of year		2,630	4,405
Equity settled transactions		(540)	(1,775)
Balance at end of year		2,090	2,630
(b) Foreign currency translation reserve			
<i>i. Nature and purpose of reserve</i>			
This reserve is used to record the exchange differences arising on translation of a foreign entity.			
<i>ii. Movements in reserve</i>			
Balance at beginning of year		6,414	3,129
Exchange differences on translation of foreign operations		(170)	3,285
Balance at end of year		6,244	6,414
(c) Cash flow hedge reserve			
<i>i. Nature and purpose of reserve</i>			
This reserve is used to record the effective portion of changes in the value of hedging derivatives.			
<i>ii. Movements in reserve</i>			
Balance at beginning of year		(3,139)	(2,047)
Net gains/(losses) taken to equity		1,820	(1,339)
Net gains/(losses) transferred to profit and loss		(33)	247
Balance at end of year		(1,352)	(3,139)
(d) Retained Earnings			
Balance at beginning of year		61,219	70,768
Net profit attributable to members		(44,413)	17,452
Total available for appropriation		16,806	88,220
Dividends paid	10	(15,904)	(27,001)
Balance at end of year		902	61,219

Notes to the Financial Statements

30 June 2017

Note 24: Cash flow information

	Consolidated entity	
	2017 \$'000	2016 \$'000
(a) Reconciliation of cash flow from operations with profit after income tax		
Profit/(loss) from ordinary activities after income tax	(43,715)	18,162
Non-cash items		
Deferred consideration unwind	220	-
Amortisation of intangibles	5,615	4,646
Impairment of goodwill	55,000	-
Depreciation of property, plant & equipment	1,484	1,267
Share-based transactions	1,884	2,189
Cash flow hedge	(3,048)	2,106
	61,155	10,208
(Increase)/decrease in assets		
Receivables	(1,845)	(5,165)
Prepayments	(900)	(1,505)
Inventories	(15,697)	(7,869)
Deferred tax assets	(5,168)	(1,886)
Lease receivables	(5,398)	(50,205)
Increase/(decrease) in liabilities		
Payables	4,398	243
Provisions	88	14
Deferred tax liabilities	2,308	5,962
Tax provisions	1,946	(404)
Net cash from operating activities	(2,828)	(32,445)
(b) Reconciliation of cash		
Cash balance comprises:		
Cash at bank	20,338	14,455
(c) Credit stand-by arrangements and loan facilities		
Facilities		
Multi-function facility ⁽ⁱ⁾	60,000	45,000
Securitisation and lease finance facilities - NZ ⁽ⁱⁱ⁾	109,526	109,641
Securitisation and lease finance facilities - Australia ^{(iii), (iv)}	210,000	120,000
	379,526	274,641
Facilities Used		
Multi-function facility	42,028	8,000
Securitisation and lease finance facilities - NZ	93,333	101,856
Securitisation and lease finance facilities - Australia	132,022	117,405
	267,383	227,261
Facilities Unused		
Multi-function facility	17,972	37,000
Securitisation and lease finance facilities - NZ	16,193	7,785
Securitisation and lease finance facilities - Australia	77,978	2,595
	112,143	47,380

(i) On 10 August 2016, the Company finalised a three year multi-option facility with a limit of \$60m with the CBA (Australian Senior Debt Facility). Debt facilities include bank bills, business loans, overdraft, equipment finance and contingent liabilities and are available to all members of the consolidated group including the parent, but excluding CSG Finance Group and subsidiaries with a shareholding less than 100%. The multi-function facility includes an amount of \$1.5m in relation to various guarantees and security deposits provided by the bank on behalf of the Company. This facility matures on 10 August 2019.

(ii) The Group's Westpac Banking Corporation New Zealand funding facility, securitised by finance lease receivables (New Zealand Securitisation Facility), matures on 15 April 2020. The facility limit is NZ\$115m.

(iii) The Group's Westpac Banking Corporation Australia funding facility ("Class A Financier") securitised by finance lease receivables, matures on 20 April 2021. The facility limit is \$180m.

(iv) The Group's Class AB Australia funding facility (Class AB Financiers) securitised by finance lease receivables, matures on 20 April 2021. The facility limit is \$30m. Together the Class A Financier and Class AB Financiers make up the Australian Securitisation Facility (Australian Securitisation Facility).

Notes to the Financial Statements

30 June 2017

Note 25: Lease commitments

	Consolidated entity	
	2017 \$'000	2016 \$'000
Operating Leases (non-cancellable)		
i. Operating leases relate to the lease of land, buildings, vehicles and office computer equipment		
ii. Minimum lease payments		
<i>Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:</i>		
No later than one year	6,658	6,283
Later than one year but not later than five years	10,776	14,969
Later than five years	3,516	3,264
	20,950	24,516

Note 26: Business combinations

During the 2017 financial year the Group entered into several business combinations agreements to further the Group's technology services growth strategy.

In January 2017, the Group purchased 100% of the shares in Valedus Group (R&G). R&G consists of R & G Technologies and Client Heartbeat, technology services companies based in Australia. The total purchase consideration for R&G was \$6,556,000. Cash payments were made of \$3,315,000 (net of cash acquired) and \$916,000 issued in ordinary shares. Further estimated payments of \$1,450,000 are to be made in subsequent financial years. In the five months ended 30 June 2017 R&G contributed \$3,243,000 in revenue and \$286,000 in net profit to the group's results. If the acquisition had occurred on 1 July 2016, management estimates that R&G would have contributed \$7,782,000 in revenue and \$687,000 in net profit after tax to the group's results.

In June 2017, the Group purchased 100% of the shares in pcMedia Technologies Limited, a cloud services business based in New Zealand. The total purchase consideration for pcMedia Technologies Limited is \$1,082,000. Cash payments were made of \$280,000 (net of cash acquired). Further estimated payments of \$791,000 are to be made in subsequent financial years if certain targets are met. Given the transaction occurred in June 2017, provisional acquisition accounting has been used.

In September 2015, the Group acquired 100% of the shares in CodeBlue. Milestone payments of \$611,000 were made in 2017. Contingent consideration payments of \$7,033,000 for the 2017 financial year and \$2,995,000 for the 2018 financial year will be made in subsequent financial years if certain targets are met.

In May 2016, the Group acquired 100% of the shares of PrintSync. Contingent consideration payments of \$318,000 will be made in the 2018 financial year if certain targets are met.

The acquisitions had the following effect on the consolidated entity's assets and liabilities:

	R&G	pcMedia	PrintSync	CodeBlue	Total
Receivables	485	239	1,393	2,273	4,390
Customer contracts	3,124		5,283	6,452	14,859
Other assets	617	81	1,411	2,423	4,532
Total assets acquired	4,226	320	8,087	11,148	23,781
Payables	453	117	1,908	2,661	5,139
Other liabilities	2,322	65	1,926	2,473	6,786
Total liabilities acquired	2,775	182	3,834	5,134	11,925
Net assets acquired	1,451	138	4,253	6,014	11,856
Goodwill on acquisition	3,620	944	1,867	14,087	20,518
Consideration paid and payable, net of cash acquired	5,071	1,082	6,120	20,101	32,374

The group incurred acquisition costs of \$540,000 on legal fees, due diligence, and other combination expenses.

Notes to the Financial Statements

30 June 2017

Note 27: Related party disclosures

(A) THE KEY MANAGEMENT PERSONNEL COMPENSATION COMPRISED:

	Consolidated entity	
	2017 \$'000	2016 \$'000
Short term employee benefits	2,886	2,750
Post-employment benefits	132	128
Termination benefits	188	98
Other long term benefits	415	826
	3,621	3,802

(B) INDIVIDUAL DIRECTORS AND EXECUTIVES COMPENSATION DISCLOSURES

Information regarding individual Directors and executive's compensation and some equity instruments disclosures as required by Corporations Regulation 2M.3.03 is provided in the Remuneration Report section of the Directors' Report.

Apart from the details disclosed in this report, no Director has entered into a material contract with the Group since the end of the previous financial year and there were no material contracts involving Directors' interests existing at year end.

(C) TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

During the financial year, the companies in the Group entered into agreements in respect of the purchase of print and technology products and services on normal commercial terms and conditions by related entities of the Directors.

(D) GROUP ENTITIES

The consolidated financial statements include the financial statements of CSG Ltd and its controlled entities listed below:

	Former Name	Country of Incorporation	Ownership Interest	
			2017 %	2016 %
Parent Entity				
CSG Limited		Australia		
Subsidiaries of CSG Limited				
CSG Business Solutions (AUS) Pty Ltd ⁽¹⁾	CSG Communications Pty Ltd	Australia	100	100
CSG Finance Pty Ltd ⁽¹⁾		Australia	100	100
CSG Print Services NZ Limited ⁽¹⁾		New Zealand	100	100
CSG Enterprise Solutions Pty Ltd ⁽¹⁾	CSG Enterprise Print Solutions Pty Ltd	Australia	100	100
Subsidiaries of CSG Business Solutions (AUS) Pty Ltd:				
CSG Business Solutions (NT) Pty Ltd ⁽¹⁾	Connected Solutions Group Pty Ltd	Australia	100	100
CSG Print Services Pty Ltd ⁽¹⁾		Australia	100	100
CSG Business Solutions (Sunshine Coast) Pty Ltd ⁽¹⁾	Sunshine Coast Office Equipment Pty Ltd	Australia	100	100
CSG Business Solutions (South Queensland) Pty Ltd ⁽¹⁾	Haloid Holdings Pty Ltd	Australia	100	100
CSG Business Solutions (North Queensland) Pty Ltd ⁽¹⁾	Seeakay Pty Ltd	Australia	100	100
CSG Business Solutions (WA) Pty Ltd ⁽¹⁾	Edgeview Enterprises Pty Ltd	Australia	100	100
Subsidiaries of CSG Enterprise Solutions Pty Ltd:				
CSG Enterprise Solutions (Singapore) Pte. Ltd		Singapore	100	100
Valedus Group Pty Ltd ⁽¹⁾		Australia	100	
Subsidiaries of CSG Finance Pty Ltd:				
CSG Finance (NZ) Limited ⁽¹⁾	Leasing Solutions Limited	New Zealand	100	100
CSG Finance Australia Pty Ltd ⁽¹⁾		Australia	100	100
Subsidiaries of CSG Finance Australia Pty Ltd:				
CSG Finance Group Receivables Pty Ltd ⁽¹⁾		Australia	100	100
CSG Finance Australia Trust		Australia	100	100

Notes to the Financial Statements

30 June 2017

Note 27: Related party disclosures (cont.)

	Former Name	Country of Incorporation	Ownership Interest	
Parent Entity			2017 %	2016 %
Subsidiaries of CSG Print Services NZ Limited:				
CSG Business Solutions Limited ⁽ⁱ⁾	CSG Management Services Limited	New Zealand	100	100
CSG Technology Limited	Konica Minolta Business Solutions New Zealand Limited	New Zealand	90	90
Ubix Business Solutions Limited ⁽ⁱⁱ⁾		New Zealand	100	100
pcMedia Technologies Limited		New Zealand	100	-
CodeBlue Limited		New Zealand	100	100
Subsidiaries of CodeBlue Limited:				
CodeBlue Christchurch Limited		New Zealand	100	100
Work IT Solutions Limited		New Zealand	100	100
IT Synergy Limited		New Zealand	100	100
CodeBlue Wellington Limited		New Zealand	100	100
Subsidiaries of CSG Finance (NZ) Limited:				
	Leasing Solutions Limited			
CSG Finance (NZ Facility 2) Limited ⁽ⁱ⁾	Onesource Finance Limited	New Zealand	100	100
CSG Finance (NZ Warehouse) Limited ⁽ⁱⁱ⁾	Solutions Group Receivables Limited	New Zealand	100	100
CSG Finance New Zealand Trust		New Zealand	100	100
Subsidiaries of Valedus Group Pty Ltd:				
R&G Technologies Pty Ltd		Australia	100	-
Client Heartbeat Pty Ltd		Australia	100	-

(i) CSG Limited and its Australian subsidiaries are part of a tax consolidated group.

(ii) Form part of a NZ tax consolidated group.

Notes to the Financial Statements

30 June 2017

Note 28: Deed of Cross Guarantee

CSG Limited and its Australian wholly owned subsidiaries (excluding CSG Finance Entities) are parties to a Deed of Cross Guarantee under which each company guarantees the debts of others.

During the current reporting period, the legal entities of the R&G Technologies and PrintSync businesses were acquired and were added to the Deed of Cross Guarantee.

By entering into the Deed, the participating wholly owned entities have been relieved of the requirements to prepare financial reports and Director's Report under the ASIC Corporations (wholly-owned companies) Instrument 2016/785.

The above companies represent a 'Closed Group' for the purpose of the Class Order, and there are no other parties to the Deed of Cross Guarantee that are controlled by CSG Limited, that also represent the 'Extended Closed Group'. Those wholly owned subsidiaries which are included in the Deed of Cross Guarantee are exempt from preparing a financial report and Director's Report under the terms of ASIC Corporations (wholly-owned companies) Instrument 2016/785 and the *Corporations Act 2001*.

A consolidated Income Statement, consolidated Statement of Comprehensive Income and consolidated Statement of Financial Position, comprising the Company and controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee is set out as follows:

	Consolidated entity	
	2017 \$'000	2016 \$'000
Income Statement		
Revenue and income	117,327	132,416
Operating expenses	(153,053)	(104,506)
Profit/(loss) before income tax expense	(35,726)	27,910
Income tax (expense)/benefit	4,382	(1,908)
Net profit/(loss)	(31,344)	26,002
Statement of Other Comprehensive Income and Retained Earnings		
Profit/(loss) for the period	(31,344)	26,003
Other comprehensive income	-	-
Total comprehensive income for the period	(31,344)	26,003
Retained profits at the beginning of the year	45,736	46,734
Retained earnings adjustment ⁽ⁱ⁾	1,814	-
Dividends distributed	(15,904)	(27,001)
Retained profits at the end of the year	302	45,736

(i) Represents adjustments for changes in the composition of the cross-guarantee group.

Notes to the Financial Statements

30 June 2017

Note 28: Deed of Cross Guarantee (cont.)

	Consolidated entity	
Statement of Financial Position	2017 \$'000	2016 \$'000
Current assets		
Cash and cash equivalents	1,390	-
Receivables	30,902	31,779
Inventories	31,686	29,311
Current tax receivable	231	-
Other	5,832	3,084
Total current assets	70,041	64,174
Non-current assets		
Property, plant and equipment	2,449	783
Deferred tax asset	2,420	-
Intangible assets	79,072	99,244
Investment in subsidiaries	130,183	136,132
Total non-current assets	214,124	236,159
Total assets	284,165	300,333
Current liabilities		
Bank overdraft	-	2,864
Payables	30,705	30,629
Deferred income	165	201
Short term borrowings	43,032	8,696
Provisions	2,974	1,889
Total current liabilities	76,876	44,279
Non-current liabilities		
Provisions	313	646
Long term borrowings	458	-
Deferred tax liability	-	697
Total non-current liabilities	771	1,343
Total liabilities	77,647	45,622
Net assets	206,518	254,711
Equity		
Contributed equity	205,728	207,623
Reserves	488	1,352
Retained earnings	302	45,736
Total equity	206,518	254,711

Notes to the Financial Statements

30 June 2017

Note 29: Earnings per share

	Consolidated entity	
	2017 \$'000	2016 \$'000
The following reflects the income and share data used in the calculations of basic and diluted earnings per share		
Profit /(loss)	(43,715)	18,162
Weighted average number of ordinary shares used in calculating basic earnings per share	318,708,450	311,627,823
Calculated basic earnings per share (cents)	(13.7)	5.8
<i>Effect of diluted securities:</i>		
Effects of Performance Rights and options issued	6,036,445	8,625,612
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	324,744,895	320,253,435
Calculated diluted earnings per share (cents)	(13.7)	5.7

Note 30: Auditors Remuneration

	Consolidated entity	
	2017 \$	2016 \$
Audit and review services (excl. disbursements)		
Auditors of the Company - KPMG		
– Audit and review of financial statements	466,938	406,570
	466,938	406,570
Other services (excl. disbursements)		
Auditors of the Company - KPMG		
– In relation to other assurance, taxation and due diligence services	160,502	431,615
	160,502	431,615

Note 31: Segment Information

(A) DESCRIPTION OF SEGMENTS

Management has determined the operating segment based on reports reviewed by the Chief Executive Officer and the Group Executive (comprising the Chief Financial Officer and Group General Managers) for making strategic decisions. The Chief Executive Officer and the Group Executive monitor the business based on product/service factors and have identified the following reportable segments:

(i) Business Solutions

CSG Business Solutions provides the sale, support, service and financing of print and business technology equipment to customers across Australia and New Zealand. CSG Enterprise Solutions provides managed service based print and technology solutions for Tier 1 enterprise, education and government customers also in Australia and New Zealand. CSG Enterprise Solutions has been identified as a separate division within Business Solutions. While this division is still in its growth phase, the underlying platforms and processes are very similar across both divisions and are increasingly converging. The CSG Marketplace is used or is to be used by both customer groups. As Enterprise Solutions business evolves, the distinction between the

divisions will continue to be monitored in terms of segment reporting. As its results are not material under segment reporting requirements it has been grouped with Business Solutions for the purpose of segment reporting.

Management has determined that the Australian and New Zealand businesses are separate operating segments but due to their similarity in terms of product and service offerings in addition to the methods used to distribute products across both geographies these business units will be aggregated for the purposes of segment reporting.

(ii) Finance Solutions

CSG Finance Solutions is a specialist service provider of lease and rental products for business technology assets sold and serviced by CSG in both Australia and New Zealand.

(iii) Other

The remaining business operations/activities (including corporate office activities) are classified as 'Other' to facilitate reconciliation to Group results.

Notes to the Financial Statements

30 June 2017

Note 31: Segment Information (cont.)

(B) SEGMENT INFORMATION

	Business Solutions \$'000	Finance Solutions \$'000	Other \$'000	Eliminations \$'000	Total \$'000
2017					
Segment revenue					
External segment revenue	216,789	27,090	641	-	244,520
Inter-segment revenue	317	-	220	(537)	-
Total	217,106	27,090	861	(537)	244,520
Segment result					
Interest revenue	45	-	6	-	51
Interest expense	(228)	649	(2,617)	(209)	(2,410)
Depreciation & amortisation	(4,722)	(392)	(2,803)	819	(7,100)
Impairment of goodwill	(17,182)	-	(37,818)	-	(55,000)
Total segment profit/(loss) before income tax	(5,127)	8,715	(46,048)	378	(42,082)
Total segment assets⁽¹⁾	328,813	315,604	26,425	(92,505)	577,837
Total segment liabilities⁽¹⁾	68,404	236,765	31,829	12,519	349,519
2016					
Segment revenue					
External segment revenue	219,765	26,102	753	-	246,620
Inter-segment revenue	533	-	-	(533)	-
Total	220,298	26,102	753	(533)	246,620
Segment result					
Interest revenue	1,976	657	10	(2,557)	86
Interest expense	1,973	19	2,174	(2,557)	1,609
Depreciation & amortisation	2,935	476	2,677	-	6,088
Total segment profit/(loss) before income tax	28,588	8,709	(11,824)	(228)	25,245
Total segment assets	266,406	290,182	226,865	(189,921)	593,532
Total segment liabilities	75,351	226,694	2,733	-	304,778

(1) Excludes loans to and from CSG Group entities (related parties).

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers and segment assets are based on the geographical location of the assets.

	Australia \$'000	New Zealand \$'000	Eliminations \$'000	Total \$'000
2017				
Revenue	126,354	118,703	(537)	244,520
Assets	371,097	299,245	(92,505)	577,837
2016				
Revenue	124,131	123,022	(533)	246,620
Assets	554,021	229,432	(189,921)	593,532

Notes to the Financial Statements

30 June 2017

Note 32: Subsequent events

No Subsequent events were recorded post-balance sheet date for the Group.

Note 33: Parent entity disclosures

As at, and throughout the financial year ended 30 June 2017, the parent company of the consolidated entity was CSG Limited. A summary of the financial performance and financial position of the parent entity is detailed below:

	Parent Entity	
	2017 \$'000	2016 \$'000
Result of the parent entity		
Profit/(loss) for the year	1,950	19,652
Total profit/(loss) and other comprehensive income for the year	1,950	19,652
Financial position of parent entity at year end		
Current assets	70,024	61,465
Total assets	251,410	237,580
Current Liabilities	44,650	10,371
Total liabilities	44,746	13,431
Total equity of the parent entity comprising of:		
Issued capital	205,727	207,623
Reserves	(1,312)	323
Retained earnings	2,249	16,203
Total equity	206,664	224,149

Note 34: Contingent liabilities

There were no contingent liabilities recorded at reporting date.

Directors' Declaration

Directors' Declaration

CSG LIMITED AND CONTROLLED ENTITIES

DIRECTORS DECLARATION

The Directors declare that the financial statements and notes set out on pages 49 to 86 and the Remuneration Report in sections 6 to 14 in the Directors' Reports are in accordance with the *Corporations Act 2001*:

- (a) comply with Australian Accounting Standards and the *Corporations Regulations 2001*, and other mandatory professional reporting requirements; and
- (b) give a true and fair view of the financial position of the consolidated entity as at 30 June 2017 and of its performance as represented by the results of its operations, changes in equity and its cash flows, for the year ended on that date.

In the Directors' opinion there are reasonable grounds to believe that CSG Limited will be able to pay its debts as and when they become due and payable.

There are reasonable grounds to believe that the Company and group entities identified in Note 28 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those group entities pursuant to ASIC Corporations (wholly-owned companies) Instrument 2016/785.

This declaration has been made after receiving the declarations required to be made by the Chief Executive Officer and Chief Financial Officer to the Directors in accordance with sections 295A of the *Corporations Act 2001* for the financial year ending 30 June 2017.

The Directors draw attention to Note 2 to the Consolidated Financial Statements, which includes a statement of compliance with International Financial Reporting Standards.

This declaration is made in accordance with a resolution of the directors.



Julie-Ann Kerin
Director
Sydney
18 August 2017

Independent Auditor's Report



Independent Auditor's Report

To the shareholders of CSG Limited

Report on the audit of the Financial Report

Opinion

We have audited the **Financial Report** of CSG Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Consolidated statement of financial position as at 30 June 2017;
- Consolidated statement of profit and loss and other comprehensive income, Consolidated statement of changes in equity, and consolidated statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies;
- Directors' Declaration.

The **Group** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.



Key Audit Matters

The **Key Audit Matters** we identified are:

- Revenue Recognition
- Valuation of Goodwill

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue Recognition (\$107m revenue from sale of goods)

Refer to Note 7 to the Financial Report

The key audit matter	How the matter was addressed in our audit
<p>Revenue recognition in relation to equipment sales is a key audit matter due to the timing of equipment sales which results in a significant volume of transactions in the two months preceding year end.</p> <p>Due to the volume of transactions around year end there is a risk that revenue is not recognised in the correct financial year.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • Testing a representative sample of sales transactions pre and post year end, focusing on high dollar value sales to ensure consistency of revenue recognition in accordance with the Group's revenue recognition accounting policy and with the requirements of Australian Accounting Standards. This testing focused on the terms and conditions of sale to ensure revenue was recorded in the correct financial year. • Testing a representative sample of higher dollar value credit notes raised post year end to confirm that revenue recognised during the year was in compliance with accounting standards.

Valuation of Goodwill (\$129m)

Refer to Note 16 to the Financial Report

The key audit matter	How the matter was addressed in our audit
<p>Valuation of goodwill is a key audit matter due to the high level of judgement involved in determining forecast future cashflows, growth rates and discount rates given the sectors that the Group operates in.</p> <p>The sectors within which the Group operates and holds goodwill are impacted by factors such as digital technology, innovation and</p>	<p>In addressing this key audit matter, we involved senior audit team members, including KPMG valuation specialists, who understand the Group's business, the industry and the economic environment it operates in.</p> <p>Our procedures across all CGUs included:</p> <ul style="list-style-type: none"> • Assessment of management's identification of the Group's CGUs based on our understanding



change programs, and capital investment programs. These factors create uncertainties and make it difficult to estimate future cash flows and, growth rates, in particular impacting the probability and timing of sales, lease renewals, and discount rates. These factors add complexity to the audit evidence gathering process.

Due to difficult economic conditions in the print business in the current year and technology changes experienced, the Australian and New Zealand Business Solutions CGU's recognised an impairment during the year.

of the nature of the Group's business and the economic environment in which they operate. We also analysed the monthly management reports of the Group to assess how operating results of the business are aggregated and monitored by management and the Board;

- Using our valuation specialists, we challenged the Group's key assumptions, including those relating to forecast cashflows, working capital, discount rates, and growth rates by comparing to external data, such as peer group forecasts, as well as our own assessments based on industry experience and knowledge of the Group;
- Assessment of the historical accuracy of forecasting of the Group by comparing actual past performance against previous forecasts and assumptions;
- Performance of sensitivity analysis on the discount rate and growth assumptions. We also performed break-even analysis on these assumptions to inform our procedures to identify management bias;
- Where a reasonable possible change in these assumptions could result in an impairment, we checked the disclosure in the financial statements.
- For the Australian and New Zealand Business Solutions CGU's, where impairment was recorded, we also assessed the fair value less costs of disposal by comparison to external market data on appropriate EBITDA multiples.

Other Information

Other Information is financial and non-financial information in CSG Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Directors' Report, including Remuneration Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not and will not express any form of assurance conclusion thereon, with the exception of the



Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*;
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Group's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_files/ar2.pdf. This description forms part of our Auditor's Report.



Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of CSG Limited for the year ended 30 June 2017, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in sections 6 to 14 of the Directors' report for the year ended 30 June 2017.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

A handwritten signature in black ink that reads 'KPMG'.

KPMG

A handwritten signature in black ink that reads 'Scott Guse'.

Scott Guse
Partner

Brisbane
18 August 2017

Investor Relations

Shareholding Information

as at 31 July 2017

In accordance with Listing Rule 4.10 of the Australian Stock Exchange Limited, the Directors provide the following shareholding information as at 31 July 2017.

SUBSTANTIAL SHAREHOLDERS

Name	Number of Ordinary Shares	% of Ordinary Shares
Caledonia (Private) Investments Pty Limited & its associates	91,438,234	28.50
Paradise Investment Management Pty Ltd	29,047,442	9.05
TDM Asset Management Pty Limited & its associates	24,990,579	7.79

VOTING RIGHTS

Fully paid ordinary shares in the Company carry voting rights of one vote per share.

DISTRIBUTION OF SHAREHOLDING

Range	Total holders	Number of Ordinary Shares	% of Issued Capital
1 - 1,000	483	132,605	0.04
1,001 - 5,000	679	2,042,087	0.64
5,001 - 10,000	414	3,225,267	1.01
10,001 - 100,000	791	24,468,947	7.63
100,001 - and over	127	291,003,533	90.69
Rounding			-0.01
Total	2,494	320,872,439	100.00

LESS THAN MARKETABLE PARCELS

396 shareholders hold less than a marketable parcel of shares, being market value of less than \$500.

TWENTY LARGEST SHAREHOLDERS

Name	Number of Ordinary Shares	% of Issued Capital
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	81,302,777	25.43
J P MORGAN NOMINEES AUSTRALIA LIMITED	44,814,681	14.02
UBS NOMINEES PTY LTD	44,527,993	13.93
CITICORP NOMINEES PTY LIMITED	18,456,164	5.77
NATIONAL NOMINEES LIMITED <DB A/C>	13,883,597	4.34
SANDHURST TRUSTEES LTD <WENTWORTH WILLIAMSON A/C>	9,808,635	3.07
NATIONAL NOMINEES LIMITED	7,005,753	2.19
MANDERRAH PTY LTD <WILLIAM VICARS S/FUND A/C>	6,352,055	1.99
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	6,123,549	1.92
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	6,109,501	1.91
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	5,117,964	1.60
BOLTEC PTY LTD <BOLLER FAMILY A/C>	4,003,912	1.25
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	3,924,016	1.23
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	2,632,730	0.82
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <BKCUST A/C>	2,438,701	0.76
MS JULIE-ANN KERIN	2,333,333	0.73
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LTD <VFA A/C>	2,135,863	0.67
WARBONT NOMINEES PTY LTD <UNPAID ENTREPOT A/C>	1,740,786	0.54
STEPHEN JOHN BIRRELL	948,571	0.30
MR NEIL ALAN LYNCH	828,571	0.26
TOTAL	264,489,152	82.72

ON-MARKET BUY-BACK

There is not a current on-market buy-back.

Investor Relations

ASX Listing

CSG Limited is listed on the Australian Securities Exchange (ASX) under the trading code "CSV". Find us on the ASX website (asx.com.au) under "CSV".

Shareholder Communications

We are committed to delivering a high level of service to all security holders. Our contact details are:

CSG LIMITED

Investor Relations
Level 1, 357 Collins Street
Melbourne VIC 3000

t: +61 7 3840 1234
f: +61 7 3840 1222
e: investor@csg.com.au
w: www.csg.com.au

Annual General Meetings

We hold Annual General Meetings where security holders are able to vote on a range of matters including Non-Executive Director elections, the Remuneration Report and CSG's Financial Report. These meetings also provide security holders with the opportunity to meet the Board and key members of the Group Executive.

Our next Annual General Meeting is currently scheduled to be held on Thursday, 23 November 2017 at 1:00pm (AEDT) at Sheraton Melbourne Hotel, Treasury Room, 27 Little Collins Street, Melbourne VIC 3000.

Share Registry

If you have queries relating to your security holding or wish to update your personal or payment details, please contact the Share Registry.

CSG LIMITED

c/- Computershare Investor Services Pty Limited
GPO Box 2975
Melbourne VIC 3001

t: +61 1300 552 270
f: +61 3 9473 2500
w: www.computershare.com/au

Key Dates

Our current key dates are:

Annual General Meeting	Thursday, 23 November 2017
1H FY2018 Results	Friday, 16 February 2018*
FY2018 Results	Friday, 17 August 2018*

*These dates are subject to change without notice.

Corporate Directory

CSG LIMITED ABN 64 123 989 631

Registered Office

Level 1
357 Collins Street
Melbourne VIC 3000

t + 61 7 3840 1234
f +61 7 3840 1222
w www.csg.com.au

Directors

Stephen Anstice
Non-Executive Chairman

Julie-Ann Kerin
Managing Director

Thomas Cowan
Non-Executive Chairman

Robin Low
Non-Executive Director

Company Secretary

Thomas Wilcox

Share Registry

Computershare Investor Services Pty Limited
452 Johnston Street
Abbotsford VIC 3067

t +61 1300 552 270
w www.computershare.com/au

Auditor

KPMG
71 Eagle Street
Brisbane QLD 4000



More than you expect.

csg.com.au